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ABSTRACT

The study plan discussed here was prepared to fulfill a requirement in the Education Amendments of 1978 for transmission to Congress of a plan for studies dealing with the financing of elementary and secondary education. The plan is organized into three chapters. Chapter 1 briefly describes the contents of the study plan and provides a full description of studies that form the context of current concerns in school finance. These studies recognize the increasing interdependence of education finance with economic issues, social conditions, and broader areas of public policy for all governmental units. Also included in this chapter are studies that provide conceptual work on the issues of "adequacy" and "equity," which are central to federal, state, and local activities in school finance. Chapter 2 describes the majority of the analytical work, organized around the four major policy areas. The culmination of the study plan is in Chapter 3, which focuses on optional strategies and designs for the federal role in education finance. An extensive appendix provides more indepth information on the study plan, including its development and implementation. (Author)

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ED188323

# STUDY PLAN
for the

# CONGRESSIONALLY MANDATED STUDY OF SCHOOL FINANCE
(Studies Authorized by Section 1203 of the
Education Amendments of 1978)

May 1980

Department of Education

EA 012 774

JUL 3 1980

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THE SECRETARY OF EDUCATION
WASHINGTON, D.C. 20202

MAY 02 1980

To the Congress of the United States:

Section 1203 of the Education Amendments of 1978 (P.L. 95-561) directs the Secretary of Health, Education and Welfare to undertake a study of school finance. In May 1980 that responsibility is transferred to the Department of Education along with other education programs from the Department of Health, Education and Welfare.

The Act also directs the Secretary to submit to the Congress a "plan for studies to be conducted" 60 days before the research is initiated. I am pleased to fulfill this requirement by transmitting the attached "Study Plan for the Congressionally Mandated Study of School Finance."

The purpose of the 1978 Act is to provide information that will describe the condition and trends in education finance and assess options for the Federal role in this area. No issue in elementary and secondary education will be more crucial in the coming years than that of finance. The Section 1203 Study will be completed by December 31, 1982 to assure its maximum usefulness to Congress during deliberations on extension of the Elementary and Secondary Education Act that expires in 1983. The studies outlined in the mandate and described in detail in the Study Plan, address questions concerning how existing Federal education laws could be changed to improve program performance while remaining faithful to Congressional intent. The Law also calls, and the Plan provides, for studies that will examine various alternatives for new Federal purposes.

If you or your colleagues have questions about our plans, I hope you will call on me or members of my staff.

Sincerely,

Shirley M. Hufstedler

Study Plan
for the
Congressionally Mandated Study of School Finance

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## CHAPTER 1 — INTRODUCTION

This Study Plan has been prepared to fulfill a requirement in the Education Amendments of 1978 for transmission to Congress of "a plan for studies" dealing with financing of elementary and secondary education.

During Congressional consideration of the Education Amendments of 1978, several emerging issues highlighted the need for rethinking how elementary and secondary education, both public and private, is supported, and what role the Federal Government should play in this process during the upcoming decade.[1/] As a result, Congress enacted legislation, incorporated into Section 1203 of Public Law 95-561, requiring the Secretary of Education to conduct studies on financing of public and private elementary and secondary education in the United States. These studies are intended to assist in deliberations on renewal of the Elementary and Secondary Education Act, which expires in 1983, and in formulation of Congressional and Executive Branch views on future education policy. The purpose of the legislative mandate is to provide for:

- Reliable and comparative data on status and trends in school finance
- Analysis of problems in financing public and private schools and prospects for adequate funding over the next ten years
- Recommendations for Federal policies to improve the equity and efficiency of school finance systems

See Appendix A for further description and text of the Statute.

The Study Plan draws on both specific study authorizations (Section 1203(e)) and general coordination authority (Section 1203(d)) from the Statute as a basis for organizing the research. The issue that overrides all others in the Study is:

- What should be the Federal role in public and private school finance in the decade ahead?

1/ Throughout this Study Plan, "private education" is used as the generic term for non-public education and includes parochial, other sectarian and non-church related schools. Parochial schools are funded principally through church sources. All others derive a greater portion of their funds from tuition fees.

Should the current role of the Federal Government in education finance be continued and/or should the Federal Government adopt alternative policies? What are the options and what would the consequences be of different options? The sections of this Plan examine more specific policy questions that evolve from this general one. The four major topics that amplify the Congressional purpose are:

- Current Federal policies, their effects and implications for changes in existing programs or for new Federal programs
- Prospects for adequate financing of elementary and secondary public and private education during the next ten years and Federal participation in this support
- Equity in financing elementary and secondary education and the Federal role in encouraging more equitable distribution of resources
- Current and future Federal assistance for private elementary and secondary education.

Organization of the Plan around topics suggested in the Law is closely paralleled by questions or comments from the public about current Federal education policy and the directions that Federal policy may take in the future.

First, there has been growing concern about the effects of existing Federal activities on school financing, management, teaching and educational priorities. Some educators and education policymakers have questioned the overall adequacy of Federal funding, have perceived a "failure" of the Government to fully fund its "mandates", or have deplored excessive paperwork. Some believe a Federal emphasis on disadvantaged populations has reduced the quality of the general curriculum. Critics have pointed to administrative requirements that result in "pull out" of children from classrooms for special services, and to confusion and social stigma caused by identification of children that meet Federal target group definitions. On the other hand, proponents of the current Federal program structure often claim that requirements imposed on schools are essential to assure that Federally identified special needs of children are met and that constitutionally protected civil rights are guaranteed. Also, some private school officials believe that their students are denied a fair share of the benefits of Federal programs and that Federal actions

sometimes threaten the financial viability of private schools. These issues clearly require attention but special emphasis must be given to the effects that changes in present policies might have on the achievement of equality of educational opportunity.

Second, there is increasing interest in the issue of prospects for adequate funding of elementary and secondary education in the future. Many individuals close to education perceive a growing crisis in school finance. Some factors affect cost and come from within the school systems, such as increased teacher pension outlays, larger proportion of students requiring specialized and costly services, provision of more adequate services for the handicapped and for a strengthened general academic program for the average student. Other factors come from outside the schools. In this category are tax limitation efforts, changing family structure, changing age structure that alters the services required by citizens, population movements from frost belt to sun belt and from the largest cities to smaller areas. Energy costs and availability and inflation are other conditions that affect school revenue and spending prospects. Education finance seems to be progressively interdependent with the finance of other public services. Here the Federal role in the intergovernmental system and private as well as public schools are at issue.

A third concern has been with equity in the distribution of resources and financial burdens for elementary and secondary education. During the past decade, there has been a State school finance reform movement aimed at breaking the linkage between district property wealth and educational expenditures. However, questions about the accomplishments of State reforms and their effects on children (in contrast to taxpayers) and on certain types of districts still remain. Also, the role of the Federal Government in school finance reform has been quite limited. Questions therefore arise as to whether there should be (a) new incentives to encourage greater school finance reform within States, (b) modification of existing fund distribution formulas to give weight to State equalization efforts, or even (c) direct Federal funding of interstate or intrastate equalization.

The Plan is organized into three chapters. Chapter 1 briefly describes the contents of the Study Plan and provides a full description of studies that forms the context of current concerns in school finance. These studies recognize the increasing interdependence of education finance with economic issues, social conditions and broader areas of public policy for all governmental units. Also included in this Chapter are studies that provide conceptual work on the issues of "adequacy" and "equity," since they are central to Federal, State and local activities in school finance. Chapter 2 describes the majority of the analytical work, organized around the four major policy areas appearing on page 2. The culmination of the Study Plan is in Chapter 3 which focuses on optional strategies and designs for the Federal role in education finance. Studies of alternatives for Federal action are described, in response to several subsections of Section 1203. (See Appendix E for a full listing of planned studies).

## Description of the Study Plan

The brief descriptions that follow are provided as an overview of the contents of the Study Plan.

### Chapter 1 — Introduction

In addition to the brief comments above about the statutory mandate and issues in education finance that reflect its national and Federal significance, this Chapter details proposed studies to describe the environment in which the financing of schools takes place. It responds in part to the statutory requirement for "analyses to understand trends and problems" in education finance. The evolution of the Federal role will be reviewed, issues in school finance identified, concepts of "adequacy" and "equity" and their measurement explored, the effect of recent events in school finance described and possible future contexts for school finance forecast. This group of studies will contribute to setting the stage for research described below and for the staff integration of studies in the Final Report to Congress.

### Chapter 2 — Statutory Study Topics

This Chapter groups the several mandates and specified studies and substudies into four areas, as follows:

- Current Federal Policies and Their Effects in Education

  This section is concerned with the operation of the intergovernmental system in education and the function of Federal activities within that system. It responds to the mandates for studies on Federal influences in distribution of funds, the relationship of Federal and State programs, and public and private school involvement with Federal activities outside the Department of Education. This section also provides background information for consideration of changes in existing Federal programs, as mandated by law. These studies will describe and analyze existing Federal policies in education, program inter-relationships from an intergovernmental perspective, distributional and governance effects of Federal policies, participation of schools in non-education Federal programs, and the implications of school effectiveness research for Federal program design.

- Prospects for Support of Elementary and Secondary Education

  This section deals with prospects for adequate financing of elementary and secondary public and private education during the next ten years. Its purpose is to help determine whether there is a school finance problem of such breadth and depth that a change in Federal involvement is appropriate. Data will be collected and synthesized on patterns and trends in U.S. education in the areas of spending, revenues, staff and enrollment, and projections will be made for the coming decade. Concepts of "adequacy" developed in studies in Chapter 1 will be examined empirically to the extent data are available.

- Equity in Education Finance

  This section is concerned with the issue of improving equity and efficiency in raising and distributing revenues to support elementary and secondary education. These statutory studies will assist Congress in consideration of Federal programs and incentives to encourage further State action toward reduction of disparities in allocations of resources. Current patterns and trends in school finance equity will be described based on the conceptual work on the definition and measurement of equity done in studies in Chapter 1. Current State finance arrangements will be analyzed to determine resource distribution patterns among States, school districts and schools. One State will be analyzed in depth to build a model for equity, using the school building as the unit of analysis.

- Finance of Private Education

  This section deals with the current and future Federal assistance for private elementary and secondary education, providing background materials for consideration of alternative forms of Federal support of private schools. Provision has been made to include private school analyses in other parts of the research plan, but several studies are unique to private schools. These are the studies included in this section and include a description of the

special characteristics of private school finance, Federal and State programs of financial assistance to private schools, legal and constitutional issues, parental choice, reactions to various alternative public policies and links between public and private school resources and services. New approaches to the Federal role towards private schools will be explored.

Chapter 3 — The Federal Role

This is the culminating chapter that examines options for Federal roles and programs, including changes in existing policies and possible new ones. The likely effects of different Federal goals and mechanisms upon public and private schools will be investigated. Drawing on work from all the other sections, the studies in this area will include syntheses of the foregoing studies from a Federal perspective, studies on Federal strategy and program design issues, and assessment of the effects of specific changes in Federal programs.

Appendices

The appendices provide the following additional explanatory material:

- Appendix A describes the principal features of the Statute and contains the full text of the Law and excerpts of the Conference Report relating to Section 1203.
- Appendix B describes the history of the development of the Study Plan.
- Appendix C summarizes the principal studies which will be conducted for each statutory citation.
- Appendix D describes new data requirements. Data needs not described here are to be met through use of existing sources.
- Appendix E describes the overall budget requirements for the studies and also includes a letter from the Chairperson of the Advisory Panel and a summary of the Panel's budget for the entire course of the Study period.
- Appendix F is a workplan schedule, showing the planned starting dates and anticipated reporting schedule for the various proposed studies.
- Appendix G provides the advice of the Advisory Panel on Financing Elementary and Secondary Education on the Study Plan.

The staff will play a major role in coordinating the work of studies that will be done in different sections of the Plan. This is particularly important because several of the studies address similar issues from different perspectives or using different

methodologies. The staff will ensure that new studies build on existing research to the greatest extent possible, and that the work of contractors does not overlap or result in duplication in data collection. Finally, all of the studies conducted under this Plan will be completed by December 31, 1982, in order to provide useful information for Congressional reauthorization of the Elementary and Secondary Education Act during 1983.

## 1.1 THE CONTEXT OF SCHOOL FINANCE

The contextual studies that comprise this section of the introductory Chapter have been designed to provide background information and a setting for all other studies. The section differs from the others in that it does not directly address specific policy issues but, instead, will result in the production and integration of general information, ideas and opinions that will describe the past, present and future context of school finance. It also includes conceptual work on what constitutes "adequacy" and "equity" in education finance because these issues are of central importance for the development of future Federal roles.

### The Congressional Mandate

This section responds to several subsections in Section 1203. The most general of these is Section 1203(d)1 which deals with the outlook for education funding and the concept of "adequacy". It provides:

> "The studies and surveys conducted under this section shall consider (1) the prospects for adequate financing of elementary and secondary schools during the (next) ten year(s) . . ."

Other statutory references that form the basis for studies in this section are found in Section 1203(e). The citations are numerous because of the nature of this section of the Study Plan which is to provide baseline information for the other studies. Subsection 1203(e)1 calls for taking into account:

> ". . . an examination of future trends . . ." and
>
> ". . . noneducational service demands on revenues,"

Section 1203(e)3A and C require:

> ". . . (A) an examination of recent court and State legislative developments, . . . and (C) special analyses of the effects of such recent trends on school districts in large urban areas and in poor rural areas and the effects of such trends on students who are members of minority groups, or who are economically or educationally disadvantaged or handicapped."

Section 1203(e)4 deals with the concept of "equity":

> "an analysis of standards to measure inter-State, intra-State, and intradistrict equalization, including an examination of the standards showing disparities in expenditures, variations from fiscal neutrality, weightings of classes of pupils, . . ."

Section 1203(e)5 requires:

> "an analysis of the impact of Federal and State education programs . . . and of the relationship between . . . Federal and State programs;"

Section 1203(e)10 calls for the inclusion of private schools:

> "an analysis of current and future Federal assistance for non-public elementary and secondary education . . ."

And finally, Section 1203(e)11 requires inclusion of non-education programs:

> "an analysis of the extent to which school districts participate in programs administered by Federal agencies other than the Education Division . . ."

Planned Studies

The first of these studies is to explore the past by describing the evolution of the Federal role in elementary and secondary education. The next two studies will describe the issues and recent developments that are currently shaping the thinking and activities in school finance. These will be followed by two studies that will consist of conceptual work on the issues of "adequacy" and "equity" in school finance. The final study in this section has a future orientation and will consider the probable environments in which schools will exist in the coming years and what this could mean for the funding of elementary and secondary education over the next decade.

Research Question: What has been the Federal role in education and what significant conditions have shaped the Federal role in school finance?

| | |
|---|---|
| 1.1.1 Study: The Evolution of Federal Involvement in Education | 1203(e)3<br>1203(e)5 |
| The study will provide a concise description of the Federal involvement in public and private education. This two part description will first trace the evolution of the Federal involvement from its beginnings to the present and will describe its current status | 1203(e)10<br>1203(e)11 |

and impact and identify emerging trends. Second, current Federal policies in areas other than education (such as tax and labor policies) will be examined to identify those that have an impact on education operations in both the public and private sectors, and to assess the importance of these effects. Throughout this review, attention will be given to those conditions that have seemingly had an affect on the Federal Government's relations with education.

Research question: What are the strategic issues currently facing the Federal Government and the nation in the financing of elementary and secondary public and private education, and are there differing perceptions of those issues among differing sectors of the public?

1.1.2 Study: Issues in School Finance 1203(d)1
Issues currently shaping the thinking of educational policy- 1203(e)3C
makers on the questions of school finance will be explored to establish a framework for the research that follows in other sections of the Study Plan. A set of interrelated studies will be designed to examine the problems and policy issues in elementary and secondary school finance in both the public and private sectors. Conducted by contractors and staff, the studies will present concise descriptions of the major school finance issues facing the nation and the implications of these issues for Federal policy. School finance issues will be investigated to show how each relates to the other and to the broader issues of educational and social policy. Included in this work will be consideration of such topics as urban and rural schools, needs of special populations, declining enrollments, public dissatisfaction, and other issues that have contributed to making school financing a subject that needs rethinking. In addition to literature reviews, information will be gathered from interviews and conferences with Federal, State and local officials, interest groups, scholars and other individuals.

Research question: What are the recent developments in school finance?

Research question: What significant changes in school finance have been brought about as a result of litigation, legislation and other policy developments?

1.1.3 Study: Recent Policy Developments in School Finance 1203(e)3A
Recent public policy changes have affected the funding of elementary and secondary education. A review of recent significant developments will be made by a series of studies and additional papers to identify and analyze such changes. The work will examine the history and dynamics of these changes as responses to court actions, political demands for reform, imposition of tax limitations, changes in tax policies and structures, and collective bargaining laws. Studies pertaining to the constitutional issues regarding public support for private education appear in Study 2.4.5, "Legal and Constitutional Issues in Public Support of Private Education."

Research question: How can "adequate" education be defined and measured and what effect would alternative definitions have on the outlook for education finance?

1.1.4 Study: Concepts of Adequacy 1203(e)1

This project consists of two or three sub-studies that will develop alternative concepts and measures of adequacy in the financing of public and private elementary and secondary education. The development of concepts and measures will be based on prevailing practices, emerging legal concepts, professional standards, anticipated demands for additional services, and other factors. Once the alternative concepts and measures have been developed, they will be examined for their fiscal implications using data from several States.

Research question: What alternative concepts can be used to assess "equity" in public and private school finance?

1.1.5 Study: Equity Concepts and Measures 1203(e)4

A set of studies and papers will be commissioned to address a broad range of problems in conceptualizing and measuring school finance equity. These will include a review of the literature on pupil and taxpayer school finance equity, cost-of-education differences, municipal overburden and fiscal capacity measures. They will also cover the development of measures and standards for equity among schools within districts in the treatment of different categories of pupils (including the question of "appropriate" services for special need pupils), and in the distribution of resources among States. The studies will identify similarities and differences in Federal and State definitions and approaches to equity and will attempt to examine the implications of all equity definitions for the private education sector.

Research question: What are the most likely significant developments in the decade ahead and how will these affect ability and willingness to support schools?

Research question: To what degree is there agreement among various groups about the possibility of these developments happening?

1.1.6 Study: Alternative Futures: Implications for School Finance 1203(d)1 1203(e)1

The future context for education is not easily discernible, and yet it is most important in considering prospects for school finance over the next decade. In exploring probable alternative futures, factors that may well be as important as the usual projections of revenues, costs, and enrollments will be examined. Forecasts of the most crucial economic, social, political, cultural, demographic and technological developments will be used to develop a description of the future, and resultant consequences for school finance will be reviewed by school finance experts. Various interested groups will test the reality of these forecasts in a conference setting and the final product of these deliberations will be made available to all Finance Study contractors and

staff. In addition, other papers will be commissioned in areas of particular interest and concern. The implication for school finance of emerging problems and trends will be studied. Examples are: (a) the critical fiscal conditions forecast for some localities; (b) the growing use of competitive tax and economic development policies among States; and (c) the anticipated rapid growth in severance tax revenues in a number of States altering the relative ability of States to raise revenues.

Project staff will synthesize these studies for use in formulating conclusions in subsequent chapters. In some cases, the preliminary results of such studies as the one on alternative futures (1.1.6) and a portion of the study on issues in school finance (1.1.2) can be incorporated into analytical work carried out by contractors for studies described in Chapter 2.

## CHAPTER 2 — STATUTORY STUDY TOPICS

This Chapter contains descriptions of studies in the four major areas of the Plan. The first Section (2.1) summarizes studies concerned with current Federal policies and program structure. The remaining three sections of the Chapter are organized about other topics that were of principal concern to Congress at the time the 1978 Education Amendments were enacted, specifically: (1) funding prospects in the forthcoming decade (Section 2.2); issues of equity in education finance (Section 2.3); and private education finance (Section 2.4). The studies will be designed to provide useful information to Congress for the reauthorization of the Elementary and Secondary Education Act. They will give Government officials knowledge relevant both for considering improvements in the implementation of the existing Federal policies and in exploring additional or alternative Federal purposes for the eighties.

## 2.1 CURRENT FEDERAL POLICIES AND THEIR EFFECTS IN EDUCATION

Federal activities in education consist of a wide array of programs and performance requirements (called "service mandates") which have grown incrementally over time, primarily in the last fifteen years, in response to disparate national needs and perceived priorities. Though Federal funds account for only an 8 percent share of aggregate revenue for elementary and secondary education (ranging between 5 percent and 23 percent in individual States) this percentage conveys an incomplete picture of Federal influence on educational finance. Federal categorical programs contain many requirements that influence or constrain the uses of State and local funds as well as the uses of Federal grants. Also, Federal service mandates and civil rights requirements affect the distribution of substantial amounts of State and local money by imposing standards without full Federal funding. Studies in this section will describe and assess the impacts of these Federal strategies.

For the most part, programs and service mandates have been designed, implemented, and evaluated separately rather than interdependently. The studies in this section will examine Federal policies as a system, focusing particularly on intergovernmental relationships in education and the combined effects of Federal policies. This Federal to State to local perspective will be complemented by studies that describe the cumulative effects of Federal policies and their interactions with State programs at the local, district and school level. An important consideration in the work of all of these studies will be the impact of changes in the current program structure on Federal target populations and on civil rights guarantees.

The Congressional Mandate

Studies of existing Federal policies are a prerequisite for designing more effective alternatives. These studies respond to section 1203(e)6 of the mandate which calls for:

". . . recommendations for changes in current Federal programs . . ."

Congressional concern with the interaction between Federal and State programs is evident in Section 1203(e)5 which mandates:

> "an analysis of the impact of Federal and State education programs on the distribution of State and local educational resources and the relationship between Federal and State programs;"

The mandate expresses concern about school district participation in programs outside the Education Division in section 1203(e)11. This section asks for an analysis of:

> "the extent to which school districts participate in programs administered by Federal agencies other than the Education Division of the Department of Health, Education and Welfare which analysis (A) shall include an assessment of barriers to school district participation in programs which have general purpose governments as primary beneficiaries and (B) mechanisms to achieve equitable school district participation in such programs."

The studies will provide descriptive information about existing Federal education programs, and other Federal programs (e.g. CETA, school lunch, Revenue Sharing) in which school districts participate. Revenue Sharing will be given particular attention because significant portions of Revenue Sharing funds are used to finance elementary and secondary education in several States. The studies will also produce analyses of the impact of Federal policies on States, local districts and Puerto Rico, and should assist policymakers in evaluating their effectiveness. Finally, the research will be designed to highlight areas where improvements are needed in order to inform the studies of Federal policy options described in the next Chapter.

Planned Studies

The Congressional interest in obtaining a better understanding of the effects of Federal policies and in generating ideas for improvement may be summarized in one policy question:

> Should existing categorical grants and service mandates be continued in their present form?

The research questions in this section attempt to provide several kinds of descriptive and analytical information that will be useful in addressing this policy question. The first three studies provide descriptive information about the existing Federal role, policies, and programs. The fourth study is an in-depth case study that will describe and analyze the ways in which Federal, State and local programs interact as they are implemented in the intergovernmental system. The next group of five studies will analyze the fiscal, governance and services effects of Federal policies at the delivery point. The last two research projects synthesize studies of school effectiveness and Federal program effectiveness to discover critical features for future Federal program design.

Research question: What is the present Federal role in public and private education?

2.1.1 Study: Development of the Federal Role in Elementary and Secondary Education — 1203(e)6

This is a study of the development of Federal policies in education, with particular emphasis on recent development of the categorical grant and service mandates strategies. It will also cover changes over time in intergovernmental roles in education and Federal policy toward private education. An understanding of how the Federal role developed and why existing strategies and programs were adopted will be useful in designing future options.

2.1.2 Study: Descriptive Summary of Existing Programs and Civil Rights Requirements and Procedures — 1203(e)6

This is a descriptive overview of Federal education programs, covering purposes, budget levels, participation data, and administrative and enforcement arrangements. The overview will also describe civil rights mandates and procedures used to enforce them. The study will indicate which programs include provisions for private school participation.

2.1.3 Study: The Federal and Related State Legal Frameworks in Education 1203(e)6

This study will broadly describe the overall Federal legal framework in education. It will cover the nature of the various program entitlements, and requirements for funds allocation, program development, management, and enforcement. The focus will be on identifying problems within the system of multiple grants and service mandates. Related State legal frameworks will be covered to the extent feasible drawing on existing studies, such as the mandated studies for Title I and Vocational Education.

Research question: How do the multiple categories and service mandates fit together as they are implemented at the Federal, State, and local levels?

2.1.4 Interactions Among Education Programs 1203(e)5

Two types of interactions will be examined in this study. One is the intergovernmental interaction associated with Federal program implementation. Federal goals and program requirements will be traced through the Federal, State, and local educational systems. The purpose of this aspect of the analysis is to understand the extent to which adaptations take place in Federal policies as they interact with State and local policies. A second type of interaction to be studied involves the relationship among the array of Federal and related State programs and service mandates. The focus here will be on identifying overlaps and gaps and points of conflict and coordination. It is expected that the problems identified in this study will be useful in formulating options for change in existing Federal programs.

A related substudy will analyze problems associated with tracking Federal funds to the local level. It will review the adequacy of reporting mechanisms, analyze the problem of program cross-subsidies, and describe patterns of institutional consumption, i.e., how funds are split among program, administration, and indirec. cost purposes.

Case studies and in-depth analyses will be conducted in States selected to represent a variety of different program mixes, sizes, and geographical locations. The data collection will involve interviews and analyses of records at the Federal, State, district, and school levels. In addition to the data collection activity itself, and qualitative analyses of the information, a synthesis of other research on intergovernmental relations (particularly in education) and on program interrelationships will be conducted.

Research question: What is the pattern of Federal funds distribution to States and how does it affect interstate and intrastate equity?

Federal Fund Distribution — 1203(e)5

This analysis is not a separate study but will draw on studies 2.3.1 "Interstate Differences in Public and Private Education Revenues, Expenditures and Costs," and 2.3.2 "Patterns and Trends in Interdistrict Distributions and Equity." As part of the activities which will be conducted for these two studies, patterns of Federal funds distribution will be described and analyzed, with particular attention to Federal target groups and interstate and intrastate equity. The distribution of Federal Revenue Sharing funds to the State level will also be examined in order to assess the full extent of Federal support of elementary and secondary school finance.

Research question: What are the effects of Federal programs and requirements on State administration and State activities in school finance equalization?

2.1.5 Study: Effects of Federal Policies on States — 1203(e)5

This study will include a synthesis of existing literature on SEA management and new case study work. The case study will consider the effects on the SEA role and operations of both Federal programs benefiting SEAs (e.g. Title V) and Federal requirements that SEAs participate in the administration of Federal programs operated by LEAs. In addition, the impact of Section 842 of P.L. 93-380 on SEA activities and on State equalization will be studied separately.

Research question: What are the effects on local districts and schools of Federal and related State programs and service mandates?

2.1.6 Study: Case Studies of the Effects of Federal Policies on Local Districts and Schools — 1203(e)5

This case study will provide in-depth descriptions of the patterns of local finance, governance and service delivery. The study will assess the equity of local service delivery patterns, according to various definitions of equity. This aspect of the study will be closely coordinated with study 1.1.5 relating to concepts of equity.

It will also examine the impact of selected Federal and State policies on local finance, governance and service delivery processes. Examples of some impacts that might be assessed are: the extent to which Federal and related State policies constrain the local budgeting process, the extent of administrative and paperwork burden, the extent to which Federal or State fiscal and service delivery prescriptions (e.g.mainstreaming) affect service delivery patterns and the extent of classroom instruction time required for Federal program administration.

Districts selected for participation will be drawn from States that have school level data and which are included in Study 2.3.3, "Resource Allocation and Equity Within School Systems," so that the findings from those quantitative analyses can be related to the qualitative findings produced by this case study. Some other districts may be added to the case study in order to take factors such as geographical balance into account.

2.1.7 Study: Survey of Program Interactions and Effects at the Local Level — 1203(e)5

Small surveys will be conducted to test the generalizability of case study findings about the effects and interactions of Federal programs with other programs at the local level. The Project will cooperate with NCES in conducting a school level Fast Response Survey on program overlap problems which will complement an earlier district level NCES survey. This survey will be closely coordinated with the case studies described in 2.1.4 "Interactions Among Education Programs" and 2.1.6 "Case Studies of the Effects of Federal Policies on Local Districts and Schools."

Research question: What levels of support do programs outside the Education Department provide for State and local education? What are the barriers to such support?

Study 2.1.8: School District Participation in Federal Non-Education Department Programs — 1203(e)11

This study will develop information on the extent to which school districts participate in Federal programs outside the Department of Education (e.g. school lunch, CETA). It will assess the extent to which barriers to school district participation exist and develop options for improved coordination. The research will include some combination of synthesis work, case studies and mail or telephone surveys.

Research question: How effective have Federal programs been at accomplishing their goals?

2.1.9 Study: Synthesis of the Literature on Federal Program Implementation and Effectiveness — 1203(e)5

This study will synthesize the results of evaluations of Federal programs in the principal areas of Federal education activity (e.g. equity, innovation, education and work). It will be sensitive to the fact that many education programs have multiple goals and, therefore, will consider a range of results including fiscal, governance, service delivery, and achievement outcomes.

Research question: What implications does the school effectiveness literature have for the design of Federal education programs?

Study 2.1.10: Implications of School Effectiveness Knowledge for Federal Program Design — 1203(e)6

This study will synthesize the literature on school effectiveness and relate it to Federal program features which influence program design and instructional methods. The purpose is to determine whether existing Federal program design features are consistent with the most up-to-date knowledge on school effectiveness. Options for new or alternative program features will be developed.

The Project staff will synthesize research studies in this section around the question of whether the existing Federal role and policies should be maintained. The synthesis report from this section taken in conjunction with the synthesis report from Chapter 3, analyzing alternative Federal roles and policies, will provide the basis for a comparison of the effects of a range of options for future Federal education policy.

## 2.2 PROSPECTS FOR SUPPORT OF ELEMENTARY AND SECONDARY EDUCATION

One of the major concerns in public and private elementary and secondary education today is the prospect for adequate funding over the next decade. Several recent developments such as court decisions, school finance reform in the States and new Federal mandates for services, suggest there will be a continuing impetus for an improvement in educational services and for increased educational expenditures. On the other hand, the tax and expenditure limitation movement suggests that States and localities may have difficulty sustaining existing levels of financial support, much less providing additional resources needed to improve programs, enhance equity, and comply with new service mandates. Equally important, declining school enrollment may lead to an erosion of political support for public schools and undermine a quest for adequacy in education. Prospects for adequate support of public and private education will therefore be given serious attention in this section of the Study Plan.

### The Congressional Mandate

Congressional interest in the issue of aggregate support for elementary and secondary education, both public and private, is stated in Section 1203(d)1 of the Education Amendments of 1978. The Section calls for studies of the:

> "prospects for adequate financing of elementary and secondary schools during the ten year period from October 1, 1979 through September 30, 1989."

Section 1203(e)1 of the Statute mandates:

> "an analysis of the capacity of educational finance systems to provide adequate school revenues, including an examination of future trends in educational service requirements, cost of supplying these services, and available school revenues from Federal, State and local sources, taking account of noneducational service demands on revenues;"

Section 1203(e)10 calls for:

> "an analysis of current and future Federal assistance for non-public elementary and secondary education, . . ."

The factors likely to influence "adequacy" of future support include such economic and demographic factors as the size and composition of school enrollment, the State and local revenue base, the rate of inflation and special developments such as State school finance reform, the tax and expenditure limitation movement, and the establishment of new Federal standards for education of the handicapped and other special needs groups. The analysis of future prospects will therefore begin with a description and analysis of current trends in enrollments, tax bases, revenues, expenditures and resources, an assessment of factors underlying these trends and, consequently, of their implications for the future of school finance.

Planned Studies

Broadly conceived, the Congressional concern about aggregate and adequate support for elementary and secondary education gives rise to two policy issues and to several research questions. The policy issues are:

1. What should be the criteria for determining the level of Federal contribution toward financing of elementary and secondary education in public and private institutions?

2. Should the Federal role in financing elementary and secondary education be enlarged, reduced or maintained at current levels?

The research questions addressed in this Plan relate to specific data describing the current state of education finance together with enrollment and other factors for public and private schools and also to the outlook for the coming decade.

**Research question: What are the current patterns and trends in Federal, State, local and private support for education?**

| | |
|---|---|
| 2.2.1 Study: Trends in Education Support | 1203(d)1 |
| This study will describe current patterns and trends from 1960 | 1203(e)1 |
| to the present in public and private school enrollments and | 1203(e)10 |
| school finances. Trends in staffing patterns will also be examined. The nation, regions, States, selected Standard Metropolitan Statistical Areas (SMSA's) and cities will be included as the units of analysis. | |

The examination of private school enrollment is not expected to provide precise information for all types of private schools since such information is not readily available. The data will be drawn from existing State data bases, and NCES surveys of private schools, including a new private school survey planned for the fall of 1981.

The study of school finance trends will contain a descriptive analysis of revenues and expenditures which will be compared to patterns and trends in Federal, State and local finance for other public functions and to general economic and demographic patterns. Again, the nation, regions, States, selected SMSA's and cities will be included as the units of analysis. Also, to the extent that sub-national data are available on broader demographic and economic conditions on a longitudinal basis, trends in these areas will be analyzed as part of the work of the study. Particular attention will be paid to regional and urban trends. A complementary study on the unique characteristics of private school finance is included in Section 4 of this Chapter.

Data from NCES, the Census Bureau, States and private school associations will be utilized in the study. In addition, data to be collected by NCES in the "National Survey of Elementary and Secondary School Finance" will be utilized. Finally, data and reports from other Federal Departments, including Labor, Commerce, HHS and HUD will be used in the analysis of broader societal trends.

Research question: What are the prospects for adequate financing in the next decade?

2.2.2 Study: Projections of Resources, Expenditures and Revenues — 1203(d)1, 1203(e)1, 1203(e)10

This study will (a) develop projections of enrollment, revenue bases, program costs, revenues, and expenditures for the next decade; (b) formulate alternative sets of fiscal and resource projections based on the first part of the study; and (c) examine the trade-offs required to reconcile project expenditures and revenues.

The enrollment, revenue and cost projections will be developed using existing analytical techniques. The projections will be for the national, regional and State levels; selected SMSA's and cities will also be included.

The study will also draw on the work on developments such as school finance reform, the fiscal limitation movement, collective bargaining, economic decline of urban areas, and changes in Revenue Sharing done in Studies 1.1.2 and 1.1.3 to assess their implications for the future of school finance. The work done in this area will use a comparative case study methodology rather than aggregate statistical analysis.

**Research question: What factors will affect prospects for adequate financing in the next decade?**

**2.2.3 Study: Econometric Analyses of Responses to Changing Policies and Conditions** 1203(d)1 1203(e)1 1203(e)10

This study will develop an econometric model to explain the combined State-local school finance behavior in States in order to predict what revenues might be available for schools under different circumstances. It will provide estimates of (a) levels of support for education under projected future economic conditions; (b) the effects on levels of support of possible changes in economic conditions, such as recession and inflation, and other factors, such as private school attendance; and (c) the impact of major changes in Federal policy.

The Project staff will be responsible for synthesizing research on the prospects for public and private school finance. A variety of sources in addition to the four studies described above will also be utilized, including the implications of the contextual studies described in Chapter 1, the reports of the National Center for Education Statistics under the State finance "Profiles" reports (mandated by Section 1201 of the 1978 Education Amendments), reports from the Advisory Commission on Intergovermental Relations and other sources.

## 2.3 EQUITY IN EDUCATION FINANCE

A dominant issue in school finance today is equity in the distribution of educational resources. Equity has many aspects, but two have been central concerns of State or Federal policymakers in recent years: (1) equity in the financing of local school districts within the States, and (2) equal educational opportunity for such special categories of pupils as the economically and educationally disadvantaged, the handicapped, children with limited proficiency in English, and members of minority groups. Other equity issues that have received less attention, but are nevertheless important, concern the distributions of resources among schools and programs within school districts, the distribution of school tax burdens among taxpayers of different income and wealth, and the question of equalization among the States.

### The Congressional Mandate

The Congress has specifically indicated its interest in knowing more about these education resource distribution issues and their relationships to current and possible alternative Federal roles, especially in the context of the total responsibility for financing schools among local, State, and Federal levels. Section 1203(d)2, states:

> "The studies and surveys conducted under this section shall consider . . . the distribution of financial resources for elementary and secondary education among the States, among school districts within the States, and among schools within school districts."

In the mandate for Section 1203(e) studies relating to distribution of education resources, Congress directed that the studies and surveys carried out under this Section shall include:

> "(3) an analysis of the recent trends in the distribution of these resources including . . . (B) case studies of States showing the greatest degree of equalization of resources in order to determine whether common elements exist leading to such equalization, and (C) special analyses of the effects of such recent trends on school districts in large urban areas and in poor rural areas and the effects of such trends on students who are members of minority groups, or who are economically or educationally

disadvantaged or handicapped;

(4) an analysis of standards to measure inter-State, intra-State, and intradistrict equalization, including an examination of the standards showing disparities in expenditures, variations from fiscal neutrality, weightings of classes of pupils, and applications of these standards to an illustrative number of States, school districts, and schools;

(5) an analysis of the impact of Federal and State education programs on the distribution of State and local educational resources and of the relationship between such Federal and state programs; . . .

(7) an analysis of the impact of school finance equalization on the cost and quality of education programs, including particularly the quality of education programs in those districts recognized as educational leaders prior to equalization;

(8) an analysis of the effects of school finance equalization on curricular and extracurricular activities related to the arts, athletics, foreign languages, music, and other programs or activities of special value, or enrichment, or which especially serve the needs or talents of a limited sector of the preschool, elementary, or secondary school population;

(9) an analysis of the effects of school finance equalization on the distribution of tax burdens by level of government, type of revenue, and family income of taxpayers."

Studies made in response to these mandates will assist Congress and others in understanding how the current school finance system distributes education resources and in considering whether new Federal action is warranted that would modify distribution patterns. A nationwide school finance reform movement has affected the financing systems of half the States and is far from having run its course. In addition, State and district level education finance has been influenced by other developments such as tax and expenditure limits, changes in Federal education programs, the costs of inflation and shifts in economic and population patterns within and among States. These developments interact with one another to affect the future of school finance.

Planned Studies

Thus far, distributional equity issues in the school finance reform movement have been primarily the concern of the States. Increasingly, however, aspects of distributional

equity are becoming intertwined with Federal interests in education. Federal programs and funds for education are now largely targeted at the economically or educationally disadvantaged, the handicapped, children with limited proficiency in English and members of minority groups. A basic Federal concern is how such Federal programs relate to State efforts to address distributional equity issues and how Federal "target groups" fare under current State school finance systems.

Federal concerns about equity extend beyond the level of intrastate distributions. Federal policymakers must consider how Federal programs relate to and affect educational opportunities across the nation; hence distributional equity issues at the interstate level also arise. If educational opportunities for Federal target groups and other pupils differ among States, as well as among school districts within a State, Federal policy concerns for assuring equality of educational opportunity are relevant.

Studies in this section are therefore designed to provide information about two basic Federal policy questions:

1. What should be the criteria for determining an equitable distribution of resources in pursuing Federal goals?

2. What role should the Federal Government play in encouraging the equitable distribution of resources for education among the States, among school districts within States; and among schools within districts?

The first policy issue raises the question of how distributional equity should be defined and measured for possible Federal purposes. The second policy issue addresses Federal concerns about possible differences in educational opportunities for target groups and other pupils both within and among States where substantial differences in resources may exist.

Several research questions must be answered if the basic Federal policy questions regarding current and prospective Federal involvement in school finance equity are to be adequately addressed. Drawing on the extensive analysis of equity concepts and measures for public and private education to be undertaken in Study 1.1.5, studies in this section will

turn to empirical analyses of equity in the provision of resources and of fiscal responses to changing policies and conditions. One study in this section will synthesize research on tax burdens.

Studies to meet the mandates of Section 1203(e)7 and 8 have been circumscribed. The legislative history indicates that these sections were concerned with "lighthouse" school districts and curriculum for gifted and talented pupils. A full analysis of the impact of school finance equalization on such school districts and pupils would require extensive data collection and analyses which are not possible within the limits of this Project. However, an effort will be made in the case study described in Study 2.3.5 below to address some of the questions regarding the cost and quality of programs and the type of curriculum offered in a State that has attempted to reform its school finance program.

Research question: What are current patterns and trends in the distribution of education resources among States?

2.3.1 Study: Interstate Differences in Public and Private Education Revenues, Expenditures, and Costs — 1203(d)2, 1203(e)4

This study will analyze differences in public and private education revenues, expenditures, and costs among States. It will involve (a) developing a conceptual framework to examine components and sources of variation in revenues, expenditures, and costs; (b) an assessment of alternative methodologies to analyze interstate differences, especially regarding cost difference; (c) an analysis of interstate differences in revenues, expenditures, and costs, and (d) the development of a prototype cost-of-education index to measure interstate cost-of-education differences. A validity assessment of the index will also be made. To the extent possible, Federal Revenue Sharing funds will be included in interstate comparisons.

Research question: What are the current patterns and trends in the distribution of education resources within States?

2.3.2 Study: Patterns and Trends in Interdistrict Distributions and Equity — 1203(d)2, 1203(e)3, 1203(e)4

This study, or set of studies, will (a) examine equity in distribution of resources, funds, and tax burdens among school districts within States; (b) describe distributional trends in selected States; and (c) address equity issues confronting groups of similar districts (urban, rural; rich, poor; growing, declining; with and without concentrations of special

need pupils) and pupils (minority, handicapped, limited English proficiency, poor). The first (or "a") part will supplement, but not duplicate, the NCES State school finance profiles report and will examine implications of various equity measures (from Study 1.1.5), pupil-weighting schemes, changes between 1976-77 and 1978-79, and the relationship between type of State school finance system and distributional outcomes. The study's second (or "b") part will use longitudinal data to examine trends in distributional patterns and equity in selected States; relationships among changes in State school finance systems and their environments, including private school attendance patterns; changes in the relative treatment of different types of districts (urban, rural, suburban; rich, poor; growing, declining; etc.); and interstate comparisons of distributional trends. The last (or "c") part will examine special categories of districts and pupils and how their status varies with different types of State school finance systems and environments. In States where Revenue Sharing distributions can be analyzed at the school district level, these data will be included in the analysis.

In addition to the descriptive work on distributional trends, the Study will attempt to analyze State differences on equity measures and identify factors associated with these differences. In particular, State policy actions will be examined for this purpose.

Research question: What are the current patterns and trends in the distribution of education resources among schools within school districts?

2.3.3 Study: Resource Allocation and Equity Within School Systems — 1203(d)2, 1203(e)3, 1203(e)4, 1203(e)5

This study will use existing Federal and State data on the allocation of resources within districts from selected States to examine, to the extent possible, (a) the allocation of school district budgets among functions (instruction, administration, etc.), resource categories or objects (teachers, other staff, etc.), and programs (general, special education, etc.); and (b) the distribution of resources among schools within these districts and among pupils of different types of ethnicity/race, income level, and social class. This study will describe and analyze the patterns of observed distributions and will include the development of an econometric model to assess the distributional impacts of changes in State school finance programs and funding levels.

Research question: What is the current distribution of school tax burdens?

2.3.4 Study: Distribution of School Tax Burdens — 1203(e)9

This study will consist of a review and synthesis of work on tax incidence and the distribution of burdens, with special attention to such issues as circuit breakers, tax limitations, and effects of Federal income tax deductibility. It will also review the literature on the relationship between school tax burdens and total tax burdens in different types of jurisdictions.

Research question: What is the distribution of educational curricula and service costs and resources among schools?

2.3.5 Study State Case Study of Educational Curriculum and Service Costs — 1203(d)2, 1203(e)3B, 1203(e)4, 1203(e)7, 1203(e)8

This study will provide detailed analyses of education resource distribution patterns and costs in one State. The issues it will address include (a) services and curriculum requirements for equity; (b) cost of education services and curriculum; (c) whether schools or districts should be the base point for cost standards, and (d) factors contributing to equity cost differentials. A school building data base, using existing as well as new data on staffing, enrollment, services, curriculum and cost, will be prepared and analyzed. An important purpose of this study is to develop a new methodology for addressing the issues of adequacy and equity in school finance.

Research question: What are the effects of current State school finance reforms on education resource disparities, tax burdens, and resources for Federal target groups and for urban and rural areas?

2.3.6 Study: Fiscal and Distributional Impacts of Changing Policies and Conditions — 1203(d)2, 1203(e)3C, 1203(e)4, 1203(e)5

This study will examine the fiscal and distributional effects of changes in State and Federal policies (including recent school finance reforms) on school districts within States. Longitudinal data will be gathered from about six States that will enable consistent comparisons across States to be made. The study will focus on questions of local fiscal response and net effect of changes in State school finance systems and in State and Federal categorical aid programs. It will also examine fiscal and distributional impacts on special types of districts and pupils.

The studies described in this section are concerned with State school finance systems and how they distribute education resources. Resource distribution patterns are described and analyzed at State, school district and school building levels and among special categories of pupils and types of districts. In reporting the results of these studies, the School Finance Project staff will incorporate findings of related studies, including reports from the National Center for Education Statistics, the National Science Foundation, the Education Commission of the States, and the Advisory Commission on Intergovernmental Relations. Project staff will also synthesize the studies on equity in school finance with the purpose of assessing the implications of research findings on possible Federal roles in this area.

## 2.4 THE FINANCE OF PRIVATE EDUCATION

Private schools have historically constituted an important segment of American education. Today, nearly 20 percent of the nation's schools are private and about 10 percent of the nation's school children attend private schools. In terms of finance, private schools generate from non-government sources a significant proportion of the annual capital and operating funds which finance American elementary and secondary education. Furthermore, Federal, State and local government policies and practices — many administered outside of education agencies — have a major impact on the financial viability of private schools and upon their capacity to generate funds.

The appropriate governmental relationship with private education has been the subject of controversy for many years. Some argue that parents should be able to choose private or public schools for their children without financial sacrifice and that the limitations on public financial support for private schools constitutes an inequity. Others believe that subsidizing private education is an improper use of public funds, that aiding the church-controlled private schools is unconstitutional, and that aid to private schools can have undesirable social consequences, such as promoting segregation by income and race. Among those who endorse some public assistance, there are major disagreements over what the limits should be, what forms of aid are desirable, and what should be expected of private schools that receive public support. This section of the School Finance Study will attempt to examine matters related to the fiscal condition of private education today, alternative arrangements which have been used or might be used to finance private education, and the implications of alternative forms of public interaction with private schools upon both public and private schools.

The Congressional Mandate

The Congressional mandate of studies in the finance of private education is found in both the general language of 1203(a) concerning the purpose of the study and in the list of specific issues and topics to be examined in 1203(e). Section 1203(a) states that, it is the purpose of the section to provide for:

> "the conduct of studies necessary to understand and analyze the trends and problems affecting the financing of elementary and secondary education, both public and non-public, including the prospects for adequate financing during the next ten years;"

More specifically, 1203(e)10 mandates:

> "an analysis of current and future Federal assistance for non-public elementary and secondary education, including the extent of non-public participation in Federal programs, trends in enrollments and costs in private education, the impact of private schools on public school enrollments and financial support, and an examination of alternative Federal policies for support of private education;"

Implied in this mandate is an analysis of barriers to participation in Federal programs of pupils in private schools. In addition, the language of the mandate implies that several studies of public school finance should have a parallel for private schools. The following mandates in Section 1203(e) suggest other areas which require attention when studying private education finance. Specifically, 1203(e)1 refers to:

> "The capacity of educational finance to provide adequate school revenues. . . ."

Section 1203(e)5 calls for:

> "an analysis of the impact of Federal and State education programs on the distribution of . . . resources."

Finally, the Conference Report which accompanied the legislation specified that there should be:

> "an assessment of the advisability of general Federal aid to public and non-public elementary and secondary education . . . including the desirability, feasibility, cost and acceptability of tuition tax credits among other general education funding devices."

Planned Studies

In a broad view of educational finance, policy issues which are of concern for public schools are also important for private schools. Several of these issues, including the "adequacy" of current and future funding, "equity" in the distribution of educational resources among students and tax burdens among taxpayers, and the effects of Federal and State policies on financial resources, school governance, and educational services have been dealt with at length in other sections of the Study Plan. To the extent possible, private school concerns in each of these areas will be addressed in an integrated way with public school interests. For example, Chapter 1, which provides contextual information for the work of subsequent parts of the Plan, will include studies and syntheses that are relevant to both public and private education. Chapter 1, which includes studies on concepts and measures of "adequacy" and "equity", will attempt to broaden the treatment of these issues to include both the public and private education sectors. Also, studies of current Federal programs and policies in section 2.1 will include a discussion of the legal framework for Federal aid to private education, and the effects of Federal education and non-education policies on private schools.

There are, however, some unique private schools issues raised by the Congressional mandate that are the subjects of separate studies in this section of the Plan:

1. What should be the role of the Federal government with regard to private schools? How should this role be related to the Federal role towards public schools?

2. Should the Federal government provide direct or indirect financial assistance to private school students, their parents, or to private schools?

An assessment of the future role of the Federal government in assisting private schools, students or families, requires information about the structure of private school finance, current forms of Federal assistance, and of possible alternative finance arrangements. The studies planned in this section are designed to provide the information base for policy decisions on these questions.

Research Question: What are the unique aspects of private school finance?

2.4.1 Study: Special Characteristics of Private School Finance 1203(e)10

Revenues for private education — both direct and indirect — are often derived from sources not frequently used in the public school sector. Also, direct and indirect expenses may differ in significant ways from expenditures for public schools. Federal, State and local government policies and procedures exert major influences on private school finance and through their interrelationships, on public school finance. This study will identify the unique characteristics of private school finance and the implications of these characteristics for school finance generally, giving special attention to issues of adequacy and equity.

Research Question: What are the current forms of public support of private school students, their families, and private schools?

Research Question: What are the barriers to private school participation in Federal programs? What structures and procedures could be used to assure the equitable provision of services for students attending private schools?

2.4.2 Study: Private School Participation in Federal Education Programs 1203(e)10

This study will identify all Federal legislation which contains provisions for private school participation, including legislation administered in the Education Department and other Federal agencies. The study will also identify structures and procedures at different governmental levels which encourage private school participation in Federal programs. The study will be conducted in three phases.

In the first phase, Federal programs which provide for private school participation will be described. Analyses will be conducted on legislative requirements for private school participation, accompanying regulations, and the extent to which the legislation and regulations encourage or limit the potential for private school participation.

In the second phase, the implementation of selected programs through Federal, State and local levels will be traced from the legislative requirements to service delivery. A limited number of States and localities will be selected for in-depth analysis based on a range of criteria. State laws, policies and procedures which are related to private school particiption, including barriers to such participation, will be identified and studied at the Federal, State, local and school levels. Special attention will be given to agency budget and staffing provisions, and to relevant agency policies and procedures in the areas of development, implementation, monitoring, reporting, and auditing. Attention will be directed also to information dissemination procedures and to provisions for involving private school representatives in consulting with school officials at the State and local levels and in private schools.

The third phase of the study will focus on delivery of educational services at the local level. It will use a case study methodology to identify different approaches to the provision of educational services to private

school students in different Federal programs. It will also attempt to make some comparisons in educational services and their costs between public and private schools in the same area. These comparisons will be used to provide a context for parental decisions about school choice and will therefore be closely related to the household survey to be conducted in Study 2.4.6 described below.

2.4.3 Study: State Assistance to Private Schools — 1203(e)10

This study will identify, classify and quantify to the extent possible, programs of State assistance to private schools in the 50 States. The work on this study will parallel the work on Federal programs. In the first phase, the full range of State legislation will be described. This will be a separate research activity. The second and third phases of the study will examine the interactions of Federal and State programs at the State and local levels. This work will be done as part of the work on Federal programs in the study described above.

Research Question: What alternative forms might Federal aid to private school students, their families, or private schools take?

2.4.4 Study: Alternative Finance Arrangements for Private Schools — 1203(e)10

The purpose of this study will be to identify alternative financial arrangements available to the Federal Government to support private education. It will consider not only finance arrangements but will draw on existing studies to assess public response to the introduction of these practices. It will not address legal or consitutional issues which are addressed in Study 2.4.5 below.

Research Question: What are the constitutional and legal issues in the area of Federal aid to private school students, their families, or private schools?

2.4.5 Study: Legal and Constitutional Issues in Public Support of Private Education — 1203(e)10

This study is designed to identify and draw together a range of legal arguments and judgments about Federal aid to private schools. Existing analyses will be brought up to date to reflect recent judicial action. Analyses will also be included on alternative legal interpretations of various possible options for future public policies.

Research Question: What would be the direct and indirect effects of new Federal policies on parental choice of schooling? What would be the effects of new policies on Federal objectives in education?

2.4.6 Study: Household Survey of Attitudes Toward Public and Private Schools — 1203(e)10

The household survey is designed to assess parental attitudes toward public and private schools and to assess the impact of a range of Federal

options, including tuition tax credits, on parental choice of schooling. Attention will be given to related prior research including opinion polls conducted by public research firms, and to similar research being conducted in British Columbia and in San Francisco.

Project Staff will synthesize the research done in this section and the work carried out on private schools in other sections of the Plan. To the extent possible, this information will be used in the development of private school options to be undertaken in Chapter 3.

## CHAPTER 3 — THE FEDERAL ROLE IN EDUCATION FINANCE

The studies mandated under Section 1203 will provide Congress with information needed for future policy deliberations on the Federal role. The research activities described in Chapters 1 and 2 will provide an information base for analysis of current Federal policies and programs and of other criticial issues that may require Federal action in the future. This Chapter of the Study Plan describes research that will generate options for Federal policy in each of the important areas addressed in this Study and will assess their consequences. It also describes staff activities to integrate the information and research findings from all sections of the Study into final reports that will be prepared for Congress.

### The Congressional Mandate

The Congressional mandate specifically states that studies and surveys carried out under Section 1203 should provide the basis for an assessment of the future Federal role in school finance. Section 1203(e)6 requests:

> "recommendations for alternative Federal roles in the context of the total responsibility for financing schools among local, State and Federal levels, including recommendations for changes in current Federal programs and suggestions for new Federal programs to promote greater equalization;"

In this subsection, the Law has given equal prominence to two Federal strategies, specifically, changes in existing programs — without regard for changes in purposes or funding levels — and suggestions for new programs "to promote greater equalization."

Section 1203(e)10 further requires:

> "an examination of alternative Federal policies for support of private education."

Congressional interest in exploring the feasibility of a policy option of general aid to public and private schools appears in the report of the Conferees on Section 1203:

> "It is imperative in the view of the Congress that an assessment of the advisability of general Federal aid to public and non-public elementary and secondary education expressly be addressed by the Advisory Panel, including the desirability, feasibility, cost and acceptability of tuition tax credits among other general education funding devices."

While the directive is to the Advisory Panel, the assumption in the Study Plan is that Congress intended the research agenda to include appropriate studies to prepare the Panel for commenting on these issues.

The analyses and recommendations requested in these provisions will form the basis of the work of this chapter of the Plan.

Planned Studies

Two policy questions provide the organizing framework for this Chapter:

1. Should the current role of the Federal Government in education be continued?

2. Should the Federal Government adopt new or alternative roles in education?

Questions about the general nature of the Federal role generate more specific questions concerning the strategies and instruments that are most appropriate to achieve broad objectives. In the context of the current Federal role in education, critical issues of strategy concern the use of categorical grants and service mandates: should the existing system of categorical programs and service mandates continue to be the primary instruments of Federal education policy? Should the categorical grant structure remain unchanged, or should it be modified and improved? Similarly, consideration of a new Federal role, e.g., providing for interstate or intrastate equalization, or financial support of private education, raises questions about strategies and instruments: should the Federal government promote equalization through direct financial aid to States or through a

system of incentives for State action? Should private education receive assistance through tuition tax credits or through alternative aid mechanisms? The effects of alternative strategies and instruments need to be assessed.

To examine these issues, the work of this Chapter will largely consist of three activities: (1) the design of Federal policy options regarding possible Federal roles in education finance; (2) an assessment of the impact of, and possible trade-offs among, the various options on resource distributions, school governance and educational services; and (3) a synthesis of information and research findings from all Project studies. Time constraints imposed by the December 31, 1982 final reporting date to Congress necessitate that most of the work on option design and impact be done on the basis of previous research in the field.

Research Question: How can the existing system of categorical grants and service mandates be modified?

3.1.1 Study: Federal Strategy and Program Design — 1203(e)6

A small series of conceptual studies will be conducted on selected program design issues. The focus will be on conceptualizing new strategies that might improve and simplify the existing categorical grant/service mandate system. Examples of the type of design issue that might be pursued are: (a) setting input or service delivery standards in Federal programs, instead of using detailed process requirements; (b) making greater use of matching grants; (c) developing more effective sanction and incentive models; (d) developing systems for coordinating State and Federal categorical programs.

3.1.2 Study: Studies for Model Program Design — 1203(e)6

This comprises a series of small studies, including some case studies, of features in State programs that might be applied on the Federal level, or features used on a limited scale at the Federal level which might be applied more broadly. Examples of the type of program features which might be assessed for broader program applicability are use of individualized education programs (IEPs), schoolwide compensatory education programs and pupil weightings found in various State programs.

Research question: What strategies and instruments might the Federal government use to promote interstate and/or intrastate equalization, assist private education or assure adequacy of funding for elementary and secondary education? What would be their likely effects?

3.1.3 Study: Formulation and Assessment of Alternative Federal Policies — 1203(e)6, 1203(e)10

This study will formulate a series of alternative Federal policies, organized around general categories that are specified or suggested in the Congressional mandate: interstate and/or intrastate equalization; consolidation; general aid; tuition tax credits (and other options for aiding private education); and an urban/rural initiative. Combinations of these categories, e.g., general aid tied to school finance equalization, will also be considered.

Study designs for each class of options will contain similar elements: (a) an analysis of any similar proposals made in the past will be conducted, including a legislative history; (b) a synthesis and review of any literature analyzing past proposals or suggesting new ones will be prepared; (c) for each class of options, one or more proposals will be designed for study; (d) the likely effects of these proposals will be analyzed.

At the stage where options for study are being formulated, one or two conferences for policymakers, practitioners and researchers will be held to help refine option designs.

Analysis of the effects of options will include simulations of the effects of various formulas. Due to time constraints, simulations must utilize existing data. Although the Project cannot support new data collection for simulation purposes, assembly and integration of existing data bases will be done to the extent necessary for the desired simulations.

The culminating work of the Project will be a broad review of current Federal policies and an evaluation of alternatives that will cover both improvements in existing programs and possible new goals for the Federal Government. These will be drawn from legislative proposals, policy studies, Project research, interest group proposals and academic analyses. Some of these alternatives will be developed by analogy with strategies used in fields other than elementary and secondary education. In addition to looking at individual options, this Chapter will examine strategic alternatives involving different mixes of Federal policy instruments. For example, there will be assessments of the different ways in which general and categorical aid programs may be used in combination to accomplish Federal school finance objectives, and ways in which Federal aid strategies may be combined with civil rights requirements and service mandates to accomplish distributional goals. The results of the analyses will be used to develop Departmental recommendations requested by the Congress concerning the future Federal role in school finance.

SCHOOL FINANCE STUDY PLAN

APPENDICES

APPENDIX A

# PROVISIONS OF THE CONGRESSIONAL MANDATE

In the Education Amendments of 1978 (P.L. 95-561) Congress included Section 1203, which directs the Secretary of Education[1/] to conduct studies on financing public and private elementary and secondary education in the United States. These studies are intented to assist in deliberations on the Elementary and Secondary Education Act, which expires in 1983, by providing reliable data and analyses of the status and trends in financing of elementary and secondary education and by developing recommendations for possible new Federal policies and roles or modifications of existing ones. This Appendix briefly summarizes the principal provisions of the law and concludes with the full text of the pertinent portion of the statute and of the explanatory House - Senate Conference Report.

## Purpose of Studies

Section 1203 begins with statements of purpose which provide specific reasons and guidance for the conduct of the school finance studies. These purposes can be summarized as follows:

- to provide reliable and comparative data on status and trends in financing elementary and secondary education
- to conduct studies analyzing trends and problems in public and non-public school finance and prospects for adequate finance, 1979-1989
- to develop recommendations for Federal policies.

## Responsibilities of the Secretary

The Secretary of Education is directed to conduct detailed studies and surveys

1/ Transferred from the Secretary of Health, Education and Welfare upon creation of the new Department of Education.

which are set forth in eleven subparts to Section 1203(e). These studies encompass such topics as:

> Public and private school finance trends and prospects, finance needs, distribution of funds, effects of state finance equalization efforts, and effects of Federal education programs. In addition, analysis of recommendations is called for on alternative Federal finance roles, alternative Federal policies for support of nonpublic schools, and changes in current Federal programs.

The section requires that study reports, comments, recommendations and legislative proposals be transmitted to the President and Congress at regular intervals. The schedule for these transmissions is as follows:

> Interim study reports: December 1980 and December 1981. Final study report: December 1982
>
> Comments on study reports, recommendations and legislative proposals: February 1981; February 1982; February 1983

The Secretary is directed to transmit to Congress a Study Plan 60 days before the research begins. To the extent possible, the studies shall utilize existing data. However, the Secretary is directed to reimburse respondents for costs associated with any additional data collections.

The Role of the Advisory Panel

An Advisory Panel on Financing Elementary and Secondary Education, appointed by the President, is to advise the Secretary and Congress on activities conducted under Section 1203.

The Advisory Panel is to include representatives of:

- public and non-public school boards, administrators, and teachers
- State and local officials
- citizens
- scholars of school finance

The Advisory Panel is required transmit its own reports to the President and Congress according to the following schedule:

> Interim reports: December 1980 and December 1981
> Final Report: December 1982

Comments on study reports, recommendations and legislative proposals: February 1981; February 1982; and February 1983.

The Panel will also advise the Secretary periodically concerning all activities conducted under Section 1203. The Secretary (and President) may make recommendations to Congress on the contents of any Advisory Panel reports.

The reports of the Advisory Panel are not subject to any outside review prior to their transmittal to Congress. The views and recommendations of the Advisory Panel are to be presented to a White House Conference on Education.

The Secretary is required to make technical and other assistance available to the Panel "as may be necessary."

A facsimile of Section 1203 of P.L. 95-561 and excerpts from the House of Representatives Conference Report on the Education Amendments of 1978 regarding Section 1203, appear on the following pages.

SCHOOL FINANCE

SEC. 1203. (a) It is the purpose of this section to provide for— 20 USC 1221-1 note.

(1) the availability of reliable and comparative data on the status and trends in financing elementary and secondary education;

(2) the conduct of studies necessary to understand and analyze the trends and problems affecting the financing of elementary and secondary education, both public and non-public, including the prospects for adequate financing during the next ten years; and

(3) the development of recommendations for Federal policies to assist in improving the equity and efficiency of Federal and State systems for raising and distributing revenues to support elementary and secondary education.

(b) In order to carry out the purposes of this section, the Secretary shall carry out the studies and surveys set forth in subsection (a) relating to the financing of elementary and secondary education.

(c)(1) In order to provide the Secretary and the Congress with advice and counsel from distinguished and knowledgeable members of the public on the conduct of the activities authorized under this section, there is established within the Department of Health, Education, and Welfare an Advisory Panel on Financing Elementary and Secondary Education to be composed of fifteen members appointed by the President. The Panel shall include (A) representatives of public and non-public elementary and secondary education, including board members, administrators, and teachers, (B) State and local officials, (C) citizens, and (D) scholars of school finance. Advisory panel on Financing Elementary and Secondary Education, establishment and membership.

(2) The members of the Advisory Panel shall be appointed, without regard for the provisions of title 5, United States Code, governing appointments in the competitive service, not later than sixty days after the enactment of this section.

(3) Members who are not in the regular full-time employ of the United States shall, while attending to the business of the Advisory Panel, be entitled to receive compensation at the daily rate prescribed for grade 18 in section 5332 of such title 5, including travel time. All members while serving on the business of the Advisory Panel away from their homes or regular places of business, may be allowed travel expenses in accordance with section 5703 of title 5. Compensation.

(4) The Advisory Panel shall provide periodic advice to the Secretary concerning all activities conducted under this section. The Secretary shall make available to the Advisory Panel such technical and other assistance as may be necessary to enable the Advisory Panel to carry out its responsibilities.

(5) The views and recommendations of the Advisory Panel shall be presented to the White House Conference on Education called pursuant to the provisions of section 804 of the Education Amendments of 1974.

(6) Sixty days after the submission of the final report under subsection (f) of this section, the Advisory Panel shall terminate. 20 USC 1221 note. Termination.

(7) There are authorized to be appropriated such sums as may be necessary for fiscal years 1979 and 1980 to carry out the provisions of this subsection. Appropriation authorization.

(8) Section 804(c)(1) of the Education Amendments of 1974 is amended—

(A) by striking out "thirty-five" and inserting in lieu thereof "forty-one";

(B) by striking out "fifteen" and inserting in lieu thereof "twenty-one"; and

(C) by inserting after the first sentence the following new sentence: "Six of the members appointed by the President shall be members of the Advisory Panel on Financing Elementary and Secondary Education.".

Studies and surveys.

(d) The studies and surveys conducted under this section shall consider (1) the prospects for adequate financing of elementary and secondary schools during the ten year period from October 1, 1979, through September 30, 1989, and (2) the distribution of financial resources for elementary and secondary education among the States, among school districts within the States, and among schools within school districts. The Secretary shall have the authority necessary to achieve coordination, avoid redundancy, and insure the high quality of the studies and surveys carried out under this section and to ensure the relevance of those studies to the objectives of this section.

(e) The studies and surveys carried out under this section shall include—

(1) an analysis of the capacity of educational finance systems to provide adequate school revenues, including an examination of future trends in educational service requirements, cost of supplying these services, and available school revenues from Federal, State, and local sources, taking account of noneducational service demands on revenues:

(2) to the extent feasible, the development of procedures for the conduct of the activities of the National Center for Education Statistics under section 406(i) of the General Education Provisions Act:

20 USC 1221e-1.

(3) an analysis of the recent trends in the distribution of these resources including (A) an examination of recent court and State legislative developments, (B) case studies of States showing the greatest degree of equalization of resources in order to determine whether common elements exist leading to such equalization, and (C) special analyses of the effects of such recent trends on school districts in large urban areas and in poor rural areas and the effects of such trends on students who are members of minority groups, or who are economically or educationally disadvantaged or handicapped:

(4) an analysis of standards to measure inter-State, intra-State, and intradistrict equalization, including an examination of the standards showing disparities in expenditures, variations from fiscal neutrality, weightings of classes of pupils, and applications of these standards to an illustrative number of States, school districts, and schools;

(5) an analysis of the impact of Federal and State education programs on the distribution of State and local educational resources and of the relationship between such Federal and State programs;

(6) recommendations for alternative Federal roles in the context of the total responsibility for financing schools among local, State, and Federal levels, including recommendations for changes in current Federal programs and suggestions for new Federal programs to promote greater equalization;

(7) an analysis of the impact of school finance equalization on the cost and quality of education programs, including particularly the quality of education programs in those districts recognized as educational leaders prior to equalization;

(8) an analysis of the effects of school finance equalization on curricular and extracurricular activities related to the arts, athletics, foreign languages, music, and other programs or activities of special value, or enrichment, or which especially serve the needs or talents of a limited sector of the preschool, elementary, or secondary school population;

(9) an analysis of the effects of school finance equalization on the distribution of tax burdens by level of government, type of revenue, and family income of taxpayers;

(10) an analysis of current and future Federal assistance for non-public elementary and secondary education, including the extent of non-public participation in Federal programs, trends in enrollments and costs of private education, the impact of private schools on public school enrollments and financial support, and an examination of alternative Federal policies for support of private education; and

(11) an analysis of the extent to which school districts participate in programs administered by Federal agencies other than the Education Division of the Department of Health, Education, and Welfare which analysis (A) shall include an assessment of barriers to school district participation in programs which have general purpose governments as primary beneficiaries and (B) shall explore alternative coordinating mechanisms to achieve equitable school district participation in such programs.

The studies described in this section shall be assigned to such organizational units within the Department as the Secretary deems appropriate. All studies and surveys described in this section shall utilize existing information to the extent possible, and shall require the collection of new information only as may be required. Appropriate resources shall be made available to reimburse respondents for costs associated with any additional data collection required by this section.

Reports to President and Congress.

(f) The Secretary and the Advisory Panel shall make interim reports to the President and the Congress no later than December 31, 1979, and December 31, 1980, and shall make a final report thereto no later than December 31, 1981, on the results of the studies conducted under this section. The Secretary and the Advisory Panel shall provide comments on each of the above reports and such additional recommendations, including recommendations for legislation, as the Secretary and the Panel may deem appropriate to the President and to the Congress no later than sixty days after the submission of such reports. Any other provisions of law, rule, or regulation to the contrary notwithstanding, such reports of the Panel shall not be submitted to any review outside of the Panel before their transmittal to the Congress, but the President and the Secretary may make to the Congress such recommendations with respect to the contents of the reports as each may deem appropriate.

Comments and legislative recommendations.

Plan, submittal to Congress.

(g)(1) The Secretary shall submit to the Congress, within one hundred and twenty days after the date of the enactment of the Act, a plan for studies to be conducted under this section. The Secretary shall have such plan delivered to both Houses on the same day and to each House while it is in session. The Secretary shall not commence such studies until the first day after the close of the first period of sixty calendar days of continuous session of Congress after the date of the delivery of such plan to the Congress.

(2) For the purposes of paragraph (1)—

(A) continuity of session is broken only by adjournment of Congress sine die; and

(B) the days on which either House is not in session because of an adjournment of more than three days to a day certain are excluded in the computation of the sixty-day period.

(h) Sums made available pursuant to section 183 of the Elementary and Secondary Education Act of 1965 and other funds available to any agency of the Department of Health, Education, and Welfare for purposes consistent with this section, shall be available to carry out the provisions of this section.

"State." (i) For purposes of this section, the term "State" means each of the States, the District of Columbia, and the Commonwealth of Puerto Rico.

NOTE: The reporting dates specified in Section 1203 (f) were postponed by one year by P.L. 96-46, Technical Amendments which were enacted on August 6, 1979.

# EDUCATION AMENDMENTS OF 1978

OCTOBER 10, 1978.—Ordered to be printed

Mr. PERKINS, from the committee of conference, submitted the following

## CONFERENCE REPORT*

[To accompany H.R. 15]

### GENERAL PROVISIONS

*1. Equalization data*

Both the House bill and the Senate amendment require composite profiles of the States to be compiled on their efforts to achieve equalization of resources for education. The House bill, but not the Senate amendment, specifically requires the National Center for Education Statistics to collect uniform data from the States, requires the NCES to consult with the Office of Education in performing this task, and authorizes separate appropriations for both the collection of data and the compilation of profiles by the National Center.

The Senate amendment requires the profiles to include the degree to which the State equalizes expenditures by local educational agencies and contains a definition of "wealth neutrality" which the Center should use in compiling such profiles. Under the Senate amendment this activity would be supported under the basic NCES appropriation.

The Senate recedes.

*2. Equalization assistance*

The House bill, but not the Senate amendment, authorizes $4 million a year through fiscal year 1983 for the Commissioner to make grants to the States to assist them in revising their systems of financing elementary and secondary education. The Commissioner is also authorized to develop models and materials useful to the States in such activities and to establish training centers. A unit within the Office of Education would also be established as a national dissemination center for information on State efforts to achieve equalization.

The Senate recedes. The conferees wish to emphasize that these activities by the Office of Education are not intended to duplicate the present activities of the National Institute of Education in school finance. The managers expect that the Commissioner and the Director will coordinate their respective responsibilities so that similar activities do not result in duplication of efforts in the areas of school finance and equalization, and in the dissemination of information.

*3. Advisory panel on financing elementary and secondary education*

The Senate amendment, but not the House bill, establishes within the Department of HEW an advisory panel on financing elementary and secondary education to be composed of 15 members appointed by the President. The advisory panel shall conduct a study of the financial conditions of public and nonpublic elementary schools in the United States, including nonpublic education permissible to the

*Excerpted from pp. 311-314.

extent provided under the Constitution. Such study shall include a survey of the existing information on school finance, such additional studies as are determined to be necessary by the panel, and a survey of the prospects for financing public and nonpublic education during the decade between October 1, 1979, and September 30, 1989. In addition, the advisory panel, after consultation with the National Center for Education Statistics, shall develop a procedure for collection of uniform school finance data. The panel may enter into contracts and employ staff. It shall not later than 1 year plus 60 days after the date of enactment submit to the Commissioner a preliminary report and not later than 6 months thereafter make a final report to the Congress. The views and recommendations of the panel shall be presented to the White House Conference on Education called pursuant to the provisions of the Education Amendments of 1974. The panel shall terminate 60 days after the submission of its final report. Such sums as may be necessary are authorized for fiscal years 1979 and 1980. The White House Conference on Education is expanded so that the President may appoint six members of the advisory panel.

The House bill vests authority for conducting a study on public school financing in the National Institute of Education. This study would involve an analysis of the recent trends in school finance, an analysis of the standards used to measure equalization of financing, an analysis of the impact of Federal and State categorical programs, recommendations for alternative Federal roles, an analysis of the effects of equalization on districts which were previously educational leaders and on certain curricular and extracurricular activities. The study would specifically include Puerto Rico. The Institute is required to submit a plan for its study to the Congress and to make a final report by December 31, 1981, without this report being reviewed by any other agency in the Executive Branch. The House bill makes funds available from the evaluation portion of title I of ESEA to fund this study and requires the Assistant Secretary to coordinate this study with the data collection duties of NCES and with the equalization assistance program of the Office of Education discussed in comment 2 of this print.

The conference substitute requires the establishment of an advisory panel on school finance within the Department of HEW but vests the authority to conduct the studies in the Secretary. The Secretary's and the panel's reports are to be submitted to the Congress without any review outside of the agency. Funds would be available from the evaluation portion of title I of ESEA to conduct these studies.

It is imperative in the view of the Congress that an assessment of the advisability of general Federal aid to public and non-public elementary and secondary education expressly be addressed by the advisory panel, including the desirability, feasibility, cost and acceptability of tuition tax credits among other general education funding devices.

Given the importance of this effort to the Nation's schools, and in light of the expenditure of billions of dollars a year for elementary and secondary education, it is important that the advisory panel authorized in this section and the administrative responsibility for the conduct of all remaining work be transferred to a new Department of Education on its effective date in the event that legislation establishing a Department be enacted and signed into law. It is important, moreover, that such studies as are appropriate to its expertise be allocated to the National Institute of Education, particularly in those areas in which the Institute has had experience and has already begun work.

APPENDIX B

# HISTORY OF THE DEVELOPMENT OF THE STUDY PLAN

The period for development of the school finance "plan for studies" to be conducted under Section 1203 of the Education Amendments of 1978 has been considerably longer than contemplated in the original Act. Because this period was so extended, it has been possible for a large number of individuals to participate at one time or another in the developmental process. Many have generously offered their time, their support and their criticism to the preparation of this Study Plan so that it can serve the policy process for which it is intended. This Appendix is a recording of the events in the development of the Plan and of the views that have been expressed to the Project staff.

## First Draft

The statute was approved by the President on November 1, 1978. Under that law a plan for the studies was required to be submitted to Congress 60 days before the research could begin. Hence, the Study Plan is the crucial element in starting the research required by law. The law called for the Study Plan to be submitted March 1, 1979, some 120 days after its enactment. The law presumed that an Advisory Panel it created to advise the Secretary and the Congress with regard to Section 1203 activities would be appointed by January 1, 1979. The Panel would have had 60 days in which to review the Plan prior to its submission to Congress.

Working against the statutory timeline, the Department of Health, Education and Welfare designated staff from several units of the Office of the Secretary and the Education Division to draft a study plan describing the research to be undertaken. By January 1979 an initial draft had been prepared. Reaction to that draft was received in a public hearing on February 5, 1979 and in meetings with school finance specialists, members of the academic community, and representatives of special interest groups (also

held in February, 1979).

Second Draft

With the comments of those individuals and further internal staff consideration, a revised study plan was prepared in April, 1979. This second version, later reprinted, has been known as the "Draft Study Plan for the Congressionlly Mandated Study of School Finance, July 1979." It was circulated to an audience of over 1,500 persons who were invited to comment on the contents and approach. In response to that invitation, scores of people took the opportunity to make their views known in the form of letters, meetings, interviews, invited conferences and extended written critiques. Comments were received from State legislative staff, school finance specialists, State and local school officials, private school interests, national and State organizations, special interest groups and other parties.

The period of review was more lengthy than had originally been anticipated. Presidential appointment of the Advisory Panel had been delayed. In May, 1979 Congressional staff advised—without regard to the merits of the Plan itself—that transmittal of the Study Plan be deferred until the Advisory Panel was in place and could review it. HEW Secretary Harris committed herself to such a deferral in August 1979 and wrote to the House and Senate Committee Chairmen and ranking minority members to that effect. In that same month, the President appointed the Advisory Panel. The Panel has met almost monthly since October, 1979, devoting much of its activity to review of the Study Plan. By January, 1980 it passed some 16 separate motions in a form eventually to be addressed to the Secretary. However, the Panel decided not to transmit the motions until adequate provisions had been made for needed support staff and services so that the work of the Panel could be efficiently conducted.

Comments Made on the Second Draft

The responses to the July Plan were numerous and sometimes contradictory, but have served as a guide to modifications that would help assure that the final work is useful

to policymakers. Some of the major issues included concerns on the scope of the work, data burden placed on the suppliers, type of methodologies to be employed, emphasis placed on projections, private school issues, and substantive questions on most of the specific study topics. Many individuals stated their own views as to what the Federal role in education finance should be, leaving it to the staff to determine whether research could help to inform that view or whether such matters reached beyond the state of the art or would exceed our time or resources for the study. A sampling of the comments is as follows:

- The Plan should be organized around policy questions that need to be answered.
- It is most important to meet the Congressional due date, even though some work must be dropped.
- The overall agenda is "overwhelming", not only in cost implications but in scope and data burden.
- The study is needed and should move forward without delay.
- The Plan fails to indicate priorities: less attention should be given to projections, that usually are not very good anyway, and to distributional studies, which already exist for several States, but there should be an emphasis on studies of finance in relationship to services provided for pupils in schools, on the effects of Federal programs, and Federal policy options.
- The studies should be broadened to include, for example, programs for adults, preschool, gifted, transfer of Department of Labor youth programs to school administration, etc.
- There should be more analyses of the possible school finance effects of changing conditions—demography, the economy, international stability, energy, inflation, tax limitation, changing family structure and life styles.
- Some viewed portions of the Study Plan language as prejudicial to Federal aid to private schools; others believed there was no such language.
- Constitutional/legal analyses of private school aid should be dropped since they are irrelevant and prejudicial to private school aid.
- Constitutional/legal analyses of private school issues should be emphasized because they are critical to analysis of Federal options for support.

- School services studies should receive emphasis because they will show what dollars actually buy and address equity issues in terms of services provided to children.

- School services studies are not clearly related to Federal policy issues nor are the research questions clearly defined.

- Administrative costs of Federal programs should be measured.

While the above comments include many of the points made in motions of the Advisory Panel, this synopsis would not be complete without a separate summary of the Panel motions themselves:

- Included were suggestions for two additional studies primarily centered on governance or control problems: a detailed State by State analysis of differing legal mandates and constraints on public and private schools and an analysis of Federal actions on the independence of States and local districts.

- Another group of motions dealt with expansions of studies related to Federal education programs: further analysis of educational outcomes in connection with the spending of Federal funds; an analysis of implications of Federal nonschool education programs (such as youth employment training and preschool); and an investigation of the "institutional consumption" of Federal aid before benefits reach the intended recipients.

- The Panel advised that the "dynamics of movement and choice" made by families from and to private education be examined and that any phrases or words that would "prejudice the study adversely against aid for nonpublic school students" be eliminated.

- The Panel also advised that education and economic consequences of youth unemployment and the financing of gifted and talented programs should be studied.

- From the staff estimated $20 million budget (for research that is described in the July Study Plan), motions were made to reduce by $1 million expenditures for studies of total education spending projections and of equity issues in distribution of school resources. However, if all of the new or expanded studies called for by the Panel were to be conducted, the increases in costs would exceed these reductions.

Form of the Final Study Plan

Drawing upon the advice of the Advisory Panel, comments from critics, and the intention of Secretary Hufstedler that the 1203 studies be completed by the statutory end date of December 1982, this Study Plan has been designed. The revised Plan places

considerably less reliance on the collection of new data than did its predecessor, so that the time necessary to complete many of the research studies has been appreciably shortened and the data burden substantially reduced. There is some loss, however, in making use of existing data rather than new. The ability to generalize is hampered, as is the ability to examine some details such as projections of teacher supply and demand. The July Plan was also based on a sequential design, now dropped, in which new data made it possible to develop new analytical tools for analysis of the effects of various Federal policy changes. These changes have also reduced the cost. The research work, estimated at $16 to $20 million in the July draft is now proposed to total about $11 million.

Another change from the July Plan is that greater reliance will be placed on studies of other sponsors that have recently been completed or that are now underway. Each of the proposed 1203 studies will include as a portion of the work, a survey of what has been undertaken or is currently underway in the area. Studies such as the one now being conducted by the Department of Housing and Urban Development on pensions, reviews by the Education Commission of the States, studies conducted by the Advisory Commission on Intergovernmental Relations and work at the NIE national laboratories and centers will be identified and integrated into the studies where appropriate.

Finally, in response to another concern often voiced by the critics of earlier versions, this final Study Plan presents the research in relation to the Federal policy issues and research questions being addressed. Each of the individual sections begins by citing the pertinent parts of the statute and a summary of the presumed Congressional intent. The research questions that flow from the policy questions are next stated, followed by a description of the research studies that are proposed for answering these questions. These links have been added to clarify the relationship between research studies and the original interests of the framers of the legislation.

APPENDIX C

## THE STATUTORY CITATIONS AND PRINCIPAL STUDIES MANDATED BY SECTION 1203

The Appendix lists in the following pages all of the studies proposed in the Study Plan for each part of Section 1203. The statutory citations appear in the left column and the corresponding principal studies are cited on the right.

All studies address the general mandate of Section 1203(a) which provides for:

> "the conduct of studies necessary to understand and analyze the trends and problems affecting the financing of elementary and secondary education, both public and non-public, including the prospects for adequate financing during the next ten years;"

This mandate has been interpreted to include private school finance questions in studies where appropriate, whether or not they are specified in the provision for private school studies contained in Section 1203(e)10.

The only statutory Section without a referenced study is 1203(e)2. This Section calls upon the Secretary to develop procedures to coordinate certain activities of the National Center for Education Statistics (NCES) with the studies mandated by Section 1203. Project staff have conferred with NCES and plan to coordinate efforts whenever possible.

THE STATUTORY CITATIONS AND PRINCIPAL STUDIES
MANDATED BY SECTION 1203

| Statutory Citation | Principal Studies | |
|---|---|---|
| 1203(d)1 - "the prospects for adequate financing of elementary and secondary schools during the ten year period from October 1, 1979 through September 30, 1989" | 1.1.2 | Issues in School Finance |
| | 1.1.6 | Alternative Futures and Their Implications for School Finance |
| | 2.2.1 | Trends in Education Support |
| | 2.2.2 | Projections of Resources Expenditures, and Revenues |
| | 2.2.3 | Econometric Analyses of Responses to Changing Policies and Conditions |
| 1203(d)2 - "the distribution of financial resources for elementary and secondary education among the States, among school districts within the States, and among schools within school districts. The Secretary shall have the authority necessary to achieve coordination, avoid redundancy, and insure the high quality of the studies and surveys carried out under this section and to ensure the relevance of those studies to the objectives of this section" | 1.1.5 | School Finance Equity: Concepts and Measures |
| | 2.3.1 | Interstate Differences in Public and Private Education Revenues, Expenditures, and Costs |
| | 2.3.2 | Patterns and Trends in Interdistrict Distributions and Equity |
| | 2.3.3 | Resource Allocation and Equity Within School Systems |
| | 2.3.5 | State Case Study of Educational Curriculum and Services Costs |
| | 2.3.6 | Fiscal and Distributional Impacts of Changing Policies and Conditions |
| 1203(e)1 - "an analysis of the capacity of educational finance systems to provide adequate school revenues, including an examination of future trends in educational service requirements cost of supplying these services, and available school revenues from Federal, State, and local sources, taking account of non-educational service demands on revenues" | 1.1.6 | Alternative Futures and Their Implications for School Finance |
| | 1.1.4 | Concepts of "Adequate" Education Financing |
| | 2.2.1 | Trends in Education Support |
| | 2.2.2 | Projections of Resources, Expenditures, and Revenues |
| | 2.2.3 | Econometric Analyses of Responses to Changing Policies and Conditions |

| Statutory Citation | Principal Studies |
|---|---|
| 1203(e)3 - "an analysis of the recent trends in the distribution of these resources including (A) an examination of recent court and State legislative developments, (B) case studies of States showing the greatest degree of equalization of resources in order to determine whether common elements exist leading to such equalization, and (C) special analyses of the effects of such recent trends on school districts in large urban areas and in poor rural areas and the effects of such trends on students who are members of minority groups, or who are economically or educationally disadvantaged or handicapped" | 1.1.1 Evolution of Federal Involvement in Education<br>2.3.2 Patterns and Trends in Interdistrict Distributions and Equity<br>2.3.3 Resource Allocation and Equity Within School Systems<br>2.3.5 State Case Study of Educational Curriculum and Service Costs<br>2.3.6 Fiscal and Distributional Impacts of Changing Policies and Conditions |
| 1203(e)3(A) - "an examination of recent court and State legislative developments" | 1.1.3 Recent Policy Developments in School Finance |
| 1203(e)3(C) - "special analyses of the effects of such recent trends on school districts in large urban areas and in poor rural areas and the effects of such trends on students who are members of minority groups, or who are economically or educational disadvantaged or handicapped" | 1.1.2 Issues in School Finance<br>2.2.2 Projections of Resources, Expenditures, and Revenues |
| 1203(e)4 - "an analysis of standards to measure inter-State, intra-State, and intradistrict equalization, including an examination of the standards showing disparities in expenditures, variations from fiscal neutrality, weightings of classes of pupils, and applications of these standards to an illustrative number of States, school districts, and schools" | 1.1.5 School Finance Equity: Concepts and Measures<br>2.3.1 Interstate Differences in Public and Private Education Revenues, Expenditures and Costs<br>2.3.2 Patterns and Trends in Interdistrict Distributions and Equity<br>2.3.3 Resource Allocation and Equity within School Systems<br>2.3.5 State Case Study of Educational Curriculum and Services Costs<br>2.3.6 Fiscal and Distributional Impacts of Changing Policies and Conditions |

| Statutory Citation | Principal Studies |
|---|---|
| 1203(e)5 - "an analysis of the impact of Federal and State education programs on the distribution of State and local educational resources and of the relationship between such Federal and State programs" | 1.1.1 Evolution of Federal Involvement in Education<br>2.1.4 Interactions Among Education Programs<br>2.1.5 Effects of Federal Policies on State Education Agencies<br>2.1.6 Case Studies of the Effects of Federal Policies on Local Districts and Schools<br>2.1.7 Surveys of Program Interactions and Effects at the Local Level<br>2.1.9 Synthesis of Literature on Federal Program Implementation and Effectiveness<br>2.3.3 Resource Allocation and Equity within School Systems<br>2.3.6 Fiscal and Distributional Impacts of Changing Policies and Conditions |
| 1203(e)6 - "recommendations for alternative Federal roles in the context of the total responsibility for financing schools among local, State, and Federal levels, including recommendations for changes in current Federal programs and suggestions for new Federal programs to promote greater equalization" | 2.1.1 Development of the Federal Role in Education<br>2.1.2 Descriptive Summary of Existing Programs and Civil Rights Requirements and Procedures<br>2.1.3 Federal Legal Framework in Education<br>2.1.9 Synthesis of Literature on Federal Program Implementation and Effectiveness<br>3.1.1 Federal Strategy and Program Design Issues<br>3.1.2 Studies of Models for Federal Program Design<br>3.1.3 Formulation and Assessment of Alternative Federal Strategies and Programs |
| 1203(e)7 - "an analysis of the impact of school equalization on the cost and quality of education programs, including particularly the quality of education programs in those districts recognized as educational leaders prior to equalization" | 2.3.5 State Case Study of Educational Curriculum and Services Costs |

| Statutory Citation | Principal Studies |
|---|---|
| 1203(e)8 - "an analysis of the effects of school finance equalization on curricular and extracurricular activities related to the arts, athletics, foreign languages, music, and other programs or activities of special value, or enrichment, or which especially serve the needs or talents of a limited sector of the preschool, elementary, or secondary school population" | 2.3.5 State Case Study of Educational Curriculum and Services Costs |
| 1203(e)9 - "an analysis of the effects of school finance equalization on the distribution of tax burdens by level of government, type of revenue and family income of taxpayers" | 2.3.4 Distribution of School Tax Burdens |
| 1203(e)10 - "an analysis of current and future Federal assistance for non-public elementary and secondary education, including the extent of non-public participation in Federal programs, trends in enrollments and costs of private education, the impact of private schools on public school enrollments and financial support, and an examination of alternative Federal policies for support of private education" | 1.1.1 Evolution of Federal Involvement in Education<br>2.2.1 Trends in Education Support<br>2.2.2 Projections of Resources, Expenditures, and Revenues<br>2.4.1 Special Characteristics of Private School Finance<br>2.4.2 Private School Participation in Federal Education Programs<br>2.4.3 State Assistance to Private Schools<br>2.4.4 Alternative Finance Arrangements for Private School<br>2.4.5 Legal and Constitutional Issues in Public Support for Private Education<br>3.1.3 Formulation and Assessment of Alternative Federal Strategies and Programs |
| 1203(e)11 - "an analysis of the extent to which school districts participate in programs administered by Federal agencies other than the Education Division of the Department of Health, Education, and Welfare which analysis (A) shall include an assessment of barriers to school district participation in programs which have general purpose governments as primary beneficiaries and (B) shall explore alternative coordinating mechanisms to achieve equitable school district participation in such programs" | 1.1.1 Evolution of Federal Involvement in Education<br>2.1.8 School District Participation in Federal Non-Education Programs |

| Conference Report | Relevant Studies |
| --- | --- |
| "It is imperative in the view of Congress that an assessment of the advisability of general Federal aid to public and non-public elementary and secondary education expressly be addressed by the advisory panel, including the desirability, feasibility, cost and acceptability of tuition tax credits among other general education funding devices. | 2.4.5 Legal and Constitutional Issues in Public Support for Private Education<br>2.4.6 Household Survey of Attitudes Toward Public and Private Schools |

APPENDIX D

# COLLECTION PLAN FOR NEW DATA

This Appendix describes in the following pages the new data collection requirements for the Study Plan. The studies have been grouped according to the type of collection activity each entails. These activities are opinion surveys, data assembly, case studies and surveys.

COLLECTION PLAN FOR

NEW DATA

| TYPE | | TITLE | RESPONDENTS | COMMENTS |
|---|---|---|---|---|
| OPINION SURVEYS | 1.1.2 | Issues in School Finance | 2,000 persons | Information on perceived trends in education gathered from Federal, State and local officials and education personnel (public and private), and representatives of professional groups and special interest groups. |
| | 1.1.6 | Alternative Futures: Implications for School Finance | 200 persons | Opinions from Federal, State and local officials and education personnel (public and private), school finance and social science scholars, representatives of special interest groups, and other interested parties. |
| | 2.4.6 | Attitudes toward Public and Private Schools | 500 families in 5-6 SMSAs | A household survey of attitudes on public and private education choices, and alternative public policies such as tuition tax credits. |
| DATA ASSEMBLY | 2.3.3 | Resources Allocation and Equity within School Systems | 6 to 9 States | Assemble existing within school system data from States on revenues and expenditures by function. |
| | 2.3.6 | Fiscal and Distributional Impacts of Changing Policies and Conditions | 6 to 9 States | Assemble existing data on school districts' revenues, expenditures, enrollments, and staffing from States. |

COLLECTION PLAN FOR NEW DATA (Cont'd)

| TYPE | | TITLE | RESPONDENTS | COMMENTS |
|---|---|---|---|---|
| CASE STUDIES | 2.1.4 | Interactions among Education Programs | 50-100 Feds<br>6-8 States<br>18-24 Locals | Federal officials, Congressional staff, special interest groups, State and local officials and education personnel, will be asked for information on interactions and relationships among various levels of education programs. |
| | 2.1.5 | Effects of Federal Policies on States | 20-30 Feds<br>4-6 SEAs | Information will be gathered on the effects of Federal policies on SEAs. |
| | 2.1.6 | Effects of Federal Policies on Local Districts and Schools | 20-30 LEAs | Information will be gathered on the effects on finances, governance, and services of Federal policies at the local level. |
| | 2.1.8 | School District Participation in Federal Non-Education Department Programs | 30 LEAs | A set of small case studies will be used to gather information on the extent of school district participation in Federal programs administered by agencies other than the Department of Education. |
| | 2.3.5 | Study of Education Curriculum and Service Costs | 45 LEAs<br>300 schools | One State has offered to provide school building data on services, curriculum, and costs and these data will be merged with existing data on staffing, enrollment, and expenditures. |
| | 2.4.2 | Private School Participation in Federal Programs | 4-6 States | Interviews with Federal, State and local public and private school officials on the extent and implications of participation in Federal programs by private schools. |
| | 2.4.2 | Private School Educational Resources and Services | 50-80 schools | Private school officials will provide school level data on expenditures, staff, and service from a sample of schools in selected States. |

COLLECTION PLAN FOR NEW DATA (Cont'd)

| TYPE | | TITLE | RESPONDENTS | COMMENTS |
|---|---|---|---|---|
| SURVEYS | 2.1.7 | Program Interactions and Effects at the Local Level | To be Determined | Information on effects of Federal programs from district and school personnel who supply NCES with information under the Fast Response Survey System will be collected. |
| | 2.1.8 | School District Participation in Federal Non-Education Department Programs | To be Determined | A Fast Response Survey procedure will be used. |
| | 2.3 | State School Finance Systems | 50 SEAs | This is the only universe survey in the Project's Data Plan. Through mail survey, information will be gathered on State allocation of Federal aid, organization and funding of pension systems, State aid to private schools and their pupils, education expenditures made by non-education State and local agencies, direct State expenditures and nonrevenue receipts. |

APPENDIX E

# BUDGET REQUIREMENTS

This appendix describes the budget requirements for the School Finance Project staff and studies and for the Advisory Panel on Financing of Elementary and Secondary Education. Together these make up the total requirements for the Section 1203 mandate. For the period beginning with submission of the Study Plan to Congress and concluding after the final reports are completed early in 1983, the total amount needed is $14.6 million. Of this $10.4 million is for contracted research studies; $2.8 million is for direct research, research management, and administration; and $1.4 million is for the Advisory Panel.

The materials that follow are:

1. A list of studies and their costs
2. A summary of budget requirements by fiscal year
3. A summary of sources of funds by fiscal year
4. A letter from the Chairperson of the Advisory Panel, Victoria Lederberg, describing Panel budget needs
5. A summary of Advisory Panel's Proposed Budget
6. A summary of the staff salaries and expenses budget requirements

## 1. LIST OF STUDIES AND ASSOCIATED COSTS
(In thousands of dollars)

| | | | |
|---|---|---|---|
| 1.1.1 | Evolution of Federal Involvement in Education | $ 100 | |
| 1.1.2 | Issues in School Finance | 350 | |
| 1.1.3 | Recent Policy Developments in School Finance | 330 | |
| 1.1.4 | Concepts of "Adequate" Education Financing | 125 | |
| 1.1.5 | School Finance Equity: Concepts and Measures | 265 | |
| 1.1.6 | Alternative Futures and Their Implications for School Finance | 130 | |
| | | | $1,300 |
| 2.1.1 | Development of Federal Policies in Education | $ 80 | |
| 2.1.2 | Descriptive Summary of Existing Programs and Civil Rights Requirements and Procedures | 80 | |
| 2.1.3 | Federal Legal Framework in Education | 400 | |
| 2.1.4 | Interactions among Education Programs | 320 | |
| 2.1.5 | Effects of Federal Policies on State Education Agencies | 250 | |
| 2.1.6 | Case Studies of the Effects of Federal Policies on School Districts and Schools | 425 | |
| 2.1.7 | Surveys of Program Interactions and Effects at the Local Level | 400 | |
| 2.1.8 | School District Participation in Federal Non-Education Department Programs | 300 | |
| 2.1.9 | Synthesis of Literature on Federal Program Implementation and Effectiveness | 160 | |
| 2.1.10 | Implications of School Effectiveness Knowledge for Federal Program Design | 160 | |
| | | | $3,075 |

Note: These estimates are based on staff judgments about the professional staff time and related costs such as data gathering or computer time for similar work. In some cases precedents are available from studies conducted under the Compensatory Education and Vocational Education mandated studies. An assumption of $80,000 per professional staff year was made based on data from research organizations and from NIE in 1979. Indications are that professional staff year costs may now be considerably higher than this in some organizations.

| | | | |
|---|---|---|---|
| 2.2.1 | Trends in Education Support | $ 160 | |
| 2.2.2 | Projections of Resources, Expenditures and Revenues | 650 | |
| 2.2.3 | Econometric Analyses of Responses to Changing Policies and Conditions | $ 175 | $ 985 |
| 2.3.1 | Interstate Differences in Public and Private Education, Revenues, Expenditures and Costs | 175 | |
| 2.3.2 | Patterns and Trends in Interdistrict Distributions and Equity | 625 | |
| 2.3.3 | Resource Allocation and Equity within School Systems | 380 | |
| 2.3.4 | Distribution of School Tax Burdens | 160 | |
| 2.3.5 | State Case Study of Educational Curriculum and Services Costs | 225 | |
| 2.3.6 | Fiscal and Distributional Impacts of Changing Policies and Conditions | 400 | $2,165 |
| 2.4.1 | Special Characteristics of Private School Finance | $ 60 | |
| 2.4.2 | Private School Participation in Federal Education Programs | 450 | |
| 2.4.3 | State Assistance to Private Schools | 100 | |
| 2.4.4 | Alternative Finance Arrangements for Private Schools | 100 | |
| 2.4.5 | Legal and Constitutional Issues in Public Support for Private Education | 80 | |
| 2.4.6 | Household Survey of Attitudes toward Public Support for Private Education | 300 | $1,090 |
| 3.1.1 | Federal Strategy and Program Design Issues | $ 400 | |
| 3.1.2 | Studies of Models for Federal Program Design | 375 | |
| 3.1.3 | Formulation and Assessment of Alternative Federal Strategies and Programs | 970 | $1,745 |
| | TOTAL | $10,360 | |

## 2. SUMMARY OF BUDGET REQUIREMENTS BY FISCAL YEAR

(In thousands of dollars)

| | FY 80 May 15, 80 Sept 30, 80 | FY 81 Oct 1, 80 Sept 30, 81 | FY 82 Oct 1, 81 Sept 30, 82 | FY 83 Oct 1, 82 Mar 31, 83 | TOTAL May 15, 80 Mar 31, 83 |
|---|---|---|---|---|---|
| School Finance Project | | | | | |
| Contracted Research Studies | $ 245 | $6,844 | $3,271 | $— | $10,360 |
| Research design services | 350 | — | — | — | 350 |
| In-house research, research management and administration | 310 | 930 | 930 | 305 | 2,475 |
| Subtotal | $ 905 | $7,774 | $4,201 | $305 | $13,185 |
| Advisory Panel on Financing Elementary and Secondary Education | 233 | 458 | 458 | 231 | 1,380 |
| TOTAL BUDGET | $1,138 | $8,232 | $4,659 | $536 | $14,563 |

## 3. SUMMARY OF SOURCE OF FUNDS BY FISCAL YEAR

Section 1203(h) of the Education Amendments of 1978 provides for funding of the finance studies through appropriations made under other Department authorizations. The language reads:

> "Sums made available pursuant to Section 183 of the Elementary and Secondary Education Act of 1965 (note: a reference to Title I evaluation appropriations) and other funds available to any agency of the Department . . . for purposes consistent with this section, shall be available to carry out the provisions of this section."

Under that authority the following sources have been made available or are proposed to be made available for the Section 1203 finance studies:

(In thousands of dollars)

| | FY 80 | FY 81 | FY 82 | FY 83 | TOTAL |
|---|---|---|---|---|---|
| 1. Funds appropriated for a Title I mandated study for which the mandate was rescinded after funds had been appropriated. (Funds to be allocated internally under the authority of Section 1203(h) | $ 800 | | | | $ 800 |
| 2. Set-aside from Title I evaluation appropriations available July 1, 1980 through September 30, 1981. (Action authorized by Congress in FY 80 HEW Appropriation Act) | | $3,000 | | | 3,000 |
| 3. Set-aside from Title I evaluation appropriations available July 1, 1981 through September 30, 1982. (Action proposed in President's budget for FY 81) | | | $3,000 | | 3,000 |
| 4. Set-aside from reserve for special initiatives established for the Secretary of Education. (Action proposed in President's budget for FY 81) | | | 1,000 | | 1,000 |
| 5. Other funds to be provided. (Details to be supplied by Department of Education). | 338 | 5,232 | 659 | $536 | $ 6,765 |
| TOTAL SOURCES | $1,138 | $8,232 | $4,659 | $536 | $14,565 |

4. LETTER FROM VICTORIA LEDERBERG ON PANEL BUDGET NEEDS

ADVISORY PANEL ON FINANCING ELEMENTARY AND SECONDARY EDUCATION

313-H Hubert H. Humphrey Building
200 Independence Avenue, S.W.
Washington, D.C. 20201

April 14, 1980

Mr. C. William Fischer
Assistant Secretary for Budget
and Finance
Department of Education
400 Maryland Avenue, S.W., Room 4181
Washington, D.C. 20202

Dear Mr. Fischer:

Pursuant to the request by Senators Magnuson and Schweiker to Commissioner Smith, a budget projection for the Advisory Panel on Financing Elementary and Secondary Education from May 15, 1980 through March 1, 1983 is enclosed.

It is my understanding that the Advisory Panel's budget will be transmitted to the Appropriation Committees along with the study plan and budget request of the School Finance Project.

As you well know, the membership regards securing financial support as critical to the work of the Advisory Panel. Your continuing assistance will be heartily appreciated.

Sincerely,

Victoria Lederberg

Victoria Lederberg
Chairman

Enclosures

cc: Emerson Elliott ✓

## 5. SUMMARY OF ADVISORY PANEL'S PROPOSED BUDGET

(In thousands of dollars)

| | FY 80 May 15, 80 Sept 30,80 | FY 81 Oct 1, 80 Sept 30, 81 | FY 82 Oct 1, 81 Sept 30, 82 | FY 83 Oct 1, 82 Mar 31, 83 | TOTAL May 15, 80 Mar 31, 83 |
|---|---|---|---|---|---|
| Honoraia for Panel members | $ 57 | $116 | $116 | $ 47 | $ 336 |
| Compensation for employees1/ | 46 | 123 | 123 | 62 | 354 |
| Benefits | 8 | 19 | 19 | 9 | 55 |
| Subtotal personnel | 111 | 258 | 258 | 118 | 745 |
| Travel 2/ | 53 | 105 | 105 | 46 | 309 |
| Rent, services, supplies | 49 | 75 | 75 | 47 | 246 |
| Printing | 20 | 20 | 20 | 20 | 80 |
| Total Panel Costs | $233 | $458 | $458 | $231 | $1,380 |

1/ Based on staff of 5
2/ Based on six 3 day meetings, 11 hearings and assignments of the chair annually

## 6. BUDGET SUMMARY FOR SALARIES AND EXPENSES

(In thousands of dollars)

| | FY 80 May 15, 80 Sept 30, 80 | FY 81 Oct 1, 80 Sept 30, 81 | FY 82 Oct 1, 81 Sept 30, 82 | FY 83 Oct 1, 82 Mar 31, 83 |
|---|---|---|---|---|
| Staff salaries* | $216 | $635 | $635 | $197 |
| Benefits | 20 | 57 | 57 | 18 |
| October 1980 pay raise | -- | 48 | 48 | 15 |
| Subtotal | $236 | $740 | $740 | $230 |
| Consultants | 17 | 50 | 50 | 16 |
| Benefits | 1 | 3 | 3 | 1 |
| Subtotal | $ 18 | $ 53 | $ 53 | $ 17 |
| Total Compensation and Benefits | 254 | 793 | 793 | 247 |
| Travel | 20 | 63 | 63 | 15 |
| Rent, communications, supplies | 26 | 64 | 64 | 18 |
| Printing | 10 | 10 | 10 | 25 |
| TOTAL Salaries and Expenses | $310 | $930 | $930 | $305 |

*Assumes 12 full-time permanent staff, 3 fulltime temporaries, 5 part-time permanent and 3 individuals under the provisions of the Intergovernmental Personnel Act.

APPENDIX F

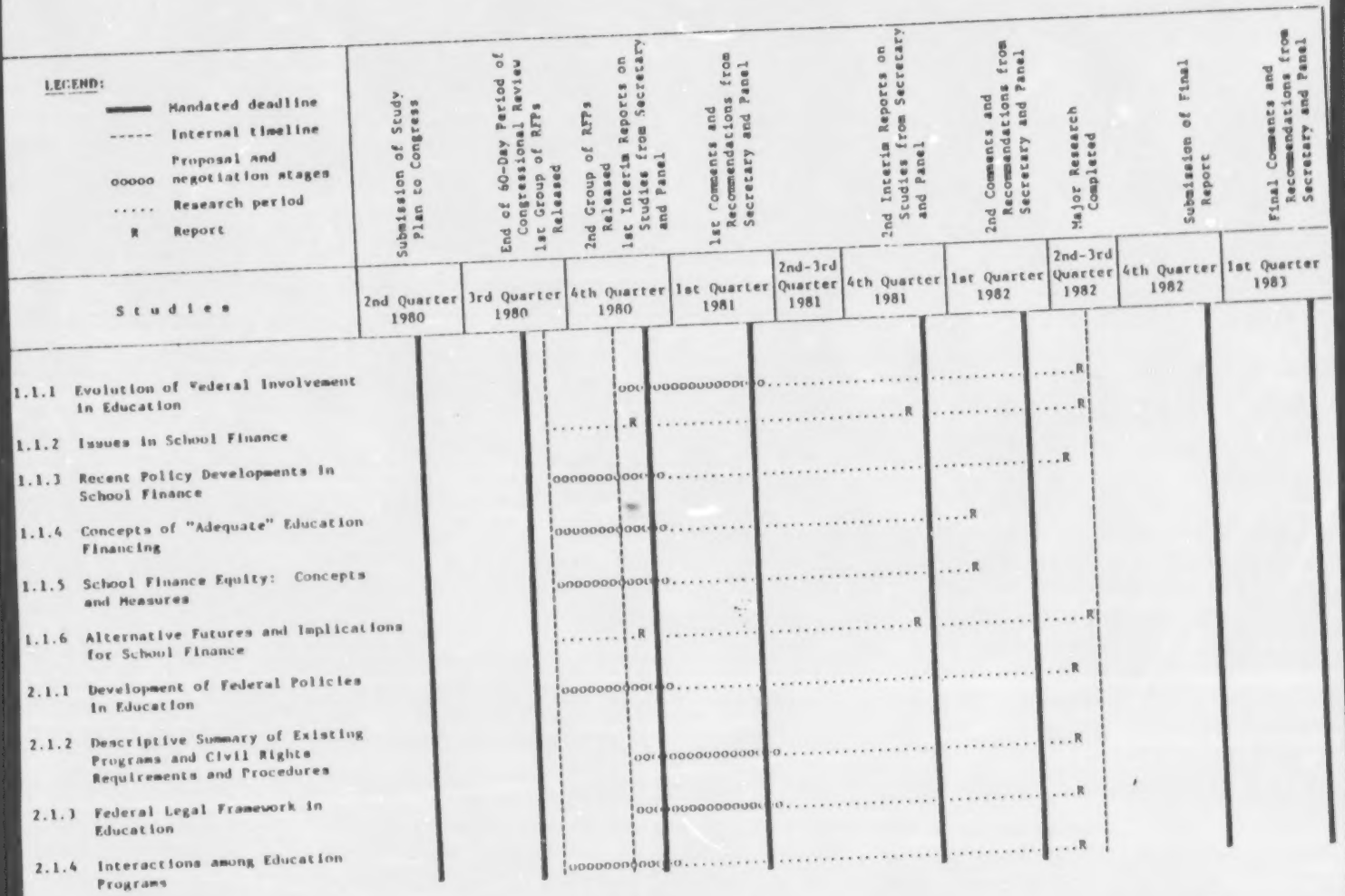
WORKPLAN SCHEDULE

This appendix plots the workplan schedule for each of the projects described in the Study Plan onto a graph.

Following the conclusion of the 60 day Congressional Study Plan review period established under the Law, proposals for contract research will be solicited during the remainder of calendar 1980. Contract awards will be made for some small studies by the end of the summer, but the major contracts will be awarded later in 1980 and early 1981. The graph has been constructed to reveal the following:

- The heavy vertical lines represent statutory deadlines, either for research, interim reports or for comments and recommendations of the Secretary and the Advisory Panel.
- The light vertical lines are timelines that the staff will impose on itself for issuance of Request for Proposals (RFPs) or for scheduled completion of the contract studies, no later than June 1982.
- The "R" symbols on the lines for each project respresent reporting times. In most cases the research reports are issued at the conclusion of the studies. In some cases, there will be interim reports.

Any reports received prior to December, 1980 or December, 1981, the statutory interim reporting dates to Congress, will be incorporated into these interim reports. The final six months of the Project are earmarked for staff synthesis of the research and preparation of the final reports to Congress.


LEGEND:
Mandated deadline
Internal timeline
Proposal and negotiation stages
Research period
R Report
Submission of Study Plan to Congress
End of 60-Day Period of Congressional Review
1st Group of RFPs Released
2nd Group of RFPs Released
1st Interim Reports on Studies from Secretary and Panel
1st Comments and Recommendations from Secretary and Panel
2nd Interim Reports on Studies from Secretary and Panel
2nd Comments and Recommendations from Secretary and Panel
Major Research Completed
Submission of Final Report
Final Comments and Recommendations from Secretary and Panel
Studies
2nd Quarter 1980
3rd Quarter 1980
4th Quarter 1980
1st Quarter 1981
2nd-3rd Quarter 1981
4th Quarter 1981
1st Quarter 1982
2nd-3rd Quarter 1982
4th Quarter 1982
1st Quarter 1983
1.1.1 Evolution of Federal Involvement in Education
1.1.2 Issues in School Finance
1.1.3 Recent Policy Developments in School Finance
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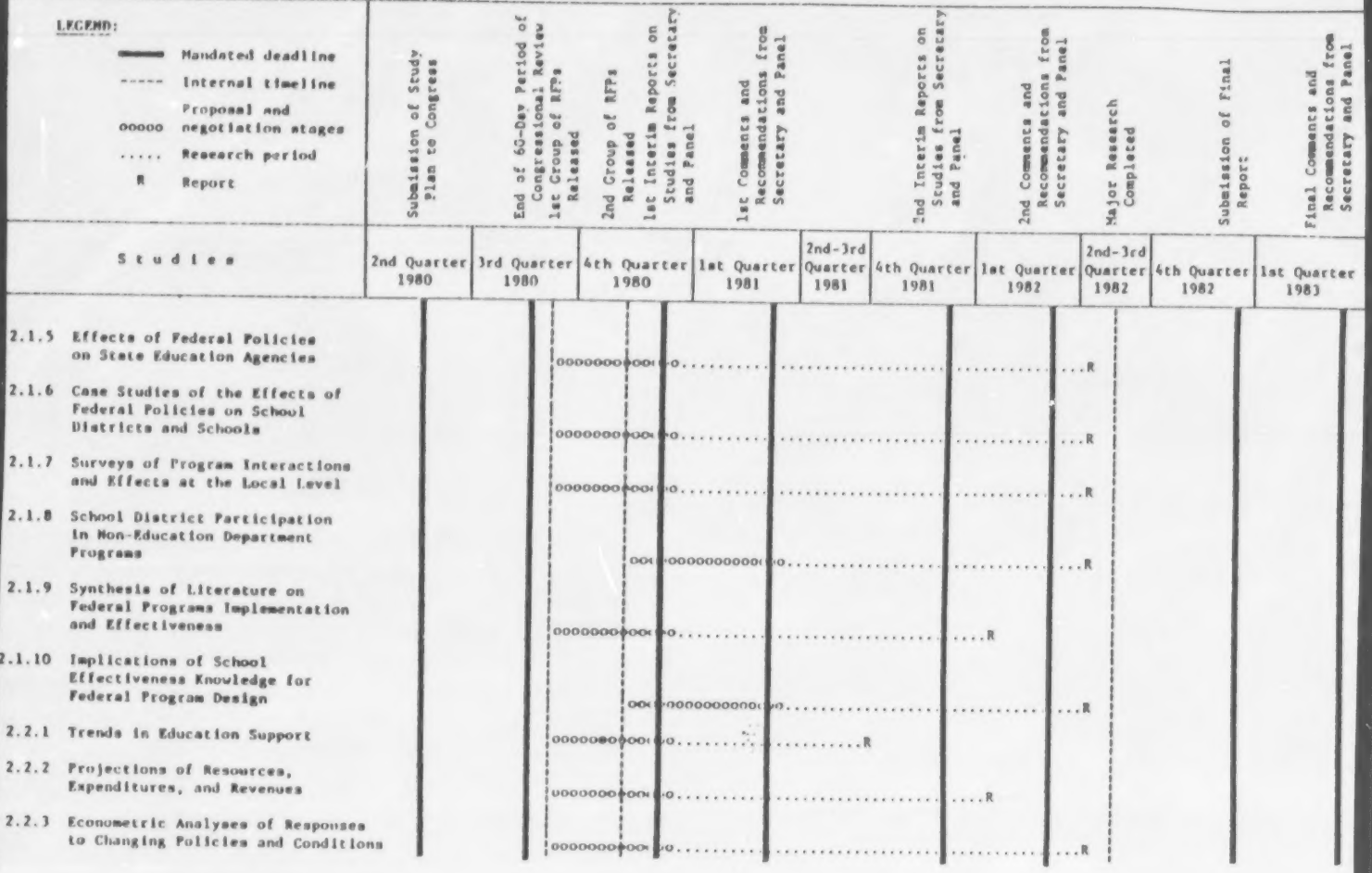
2.1.3 Federal Legal Framework in Education
2.1.4 Interactions among Education Programs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Mandated deadline
Internal timeline
Proposal and negotiation stages
Research period
R Report
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Studies
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3rd Quarter 1980
4th Quarter 1980
1st Quarter 1981
2nd-3rd Quarter 1981
4th Quarter 1981
1st Quarter 1982
2nd-3rd Quarter 1982
4th Quarter 1982
1st Quarter 1983
2.1.5 Effects of Federal Policies on State Education Agencies
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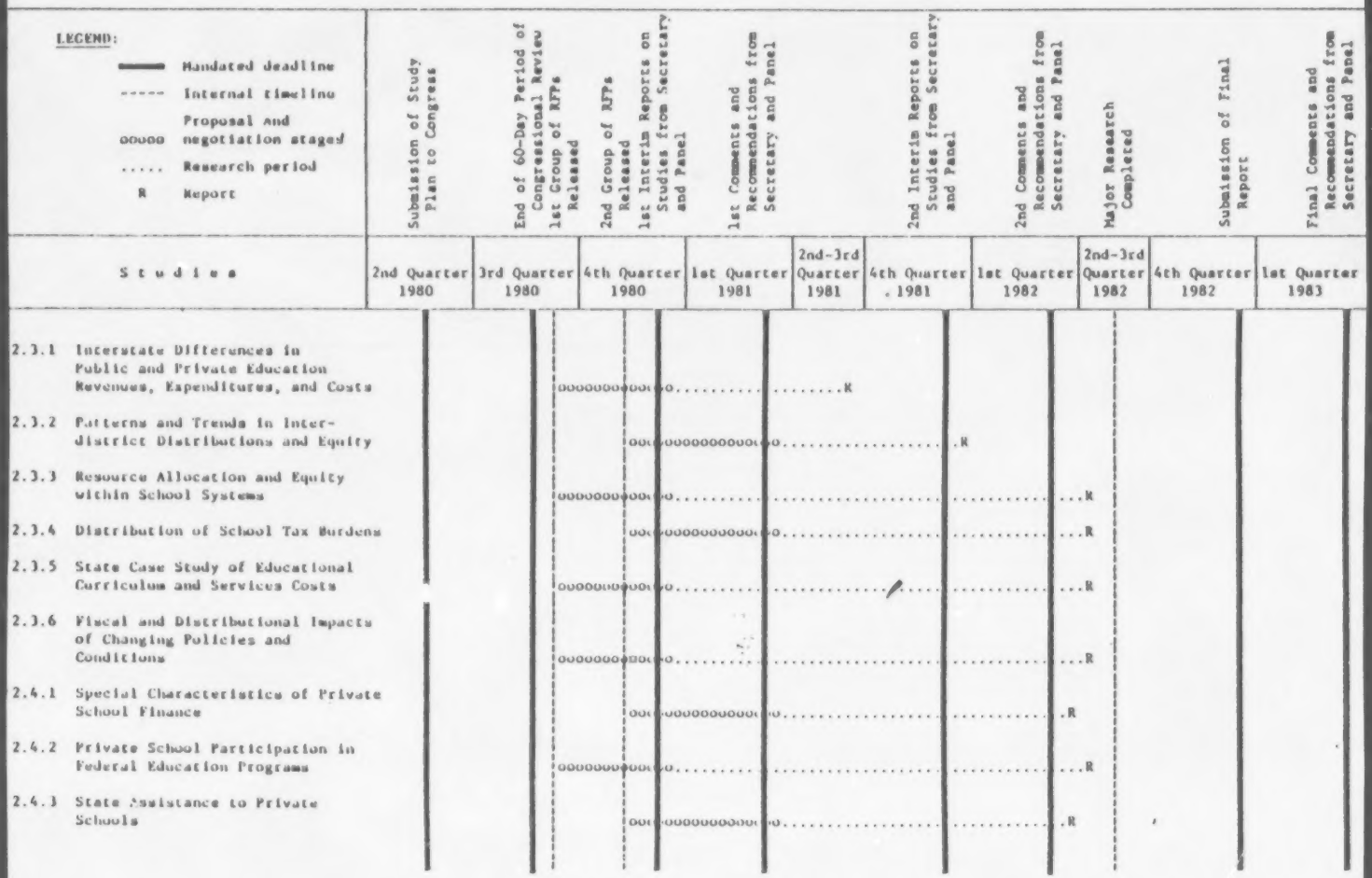
2.1.7 Surveys of Program Interactions and Effects at the Local Level
2.1.8 School District Participation in Non-Education Department Programs
2.1.9 Synthesis of Literature on Federal Programs Implementation and Effectiveness
2.1.10 Implications of School Effectiveness Knowledge for Federal Program Design
2.2.1 Trends in Education Support
2.2.2 Projections of Resources, Expenditures, and Revenues
2.2.3 Econometric Analyses of Responses to Changing Policies and Conditions
R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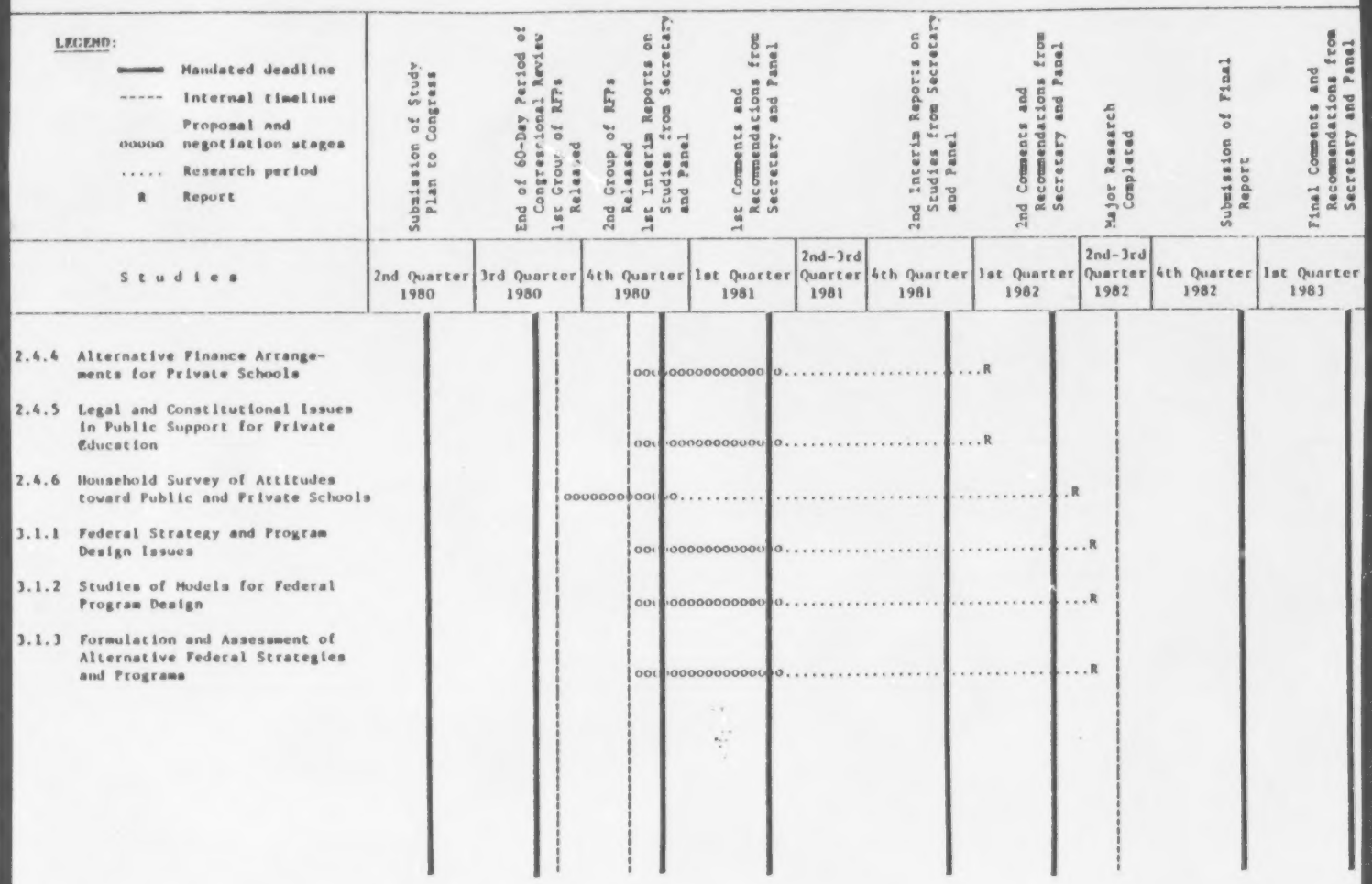
2nd Comments and Recommendations from Secretary and Panel
Major Research Completed
Submission of Final Report
Final Comments and Recommendations from Secretary and Panel
Studies
2nd Quarter 1980
3rd Quarter 1980
4th Quarter 1980
1st Quarter 1981
2nd-3rd Quarter 1981
4th Quarter 1981
1st Quarter 1982
2nd-3rd Quarter 1982
4th Quarter 1982
1st Quarter 1983
2.3.1 Interstate Differences in Public and Private Education Revenues, Expenditures, and Costs
2.3.2 Patterns and Trends in Inter-district Distributions and Equity
2.3.3 Resource Allocation and Equity within School Systems
2.3.4 Distribution of School Tax Burdens
2.3.5 State Case Study of Educational Curriculum and Services Costs
2.3.6 Fiscal and Distributional Impacts of Changing Policies and Conditions
2.4.1 Special Characteristics of Private School Finance
2.4.2 Private School Participation in Federal Education Programs
2.4.3 State Assistance to Private Schools
R


LEGEND:
Mandated deadline
Internal timeline
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1st Comments and Recommendations from Secretary and Panel
2nd Interim Reports on Studies from Secretary and Panel
2nd Comments and Recommendations from Secretary and Panel
Major Research Completed
Submission of Final Report
Final Comments and Recommendations from Secretary and Panel
Studies
2nd Quarter 1980
3rd Quarter 1980
4th Quarter 1980
1st Quarter 1981
2nd-3rd Quarter 1981
4th Quarter 1981
1st Quarter 1982
2nd-3rd Quarter 1982
4th Quarter 1982
1st Quarter 1983
2.4.4 Alternative Finance Arrangements for Private Schools
2.4.5 Legal and Constitutional Issues in Public Support for Private Education
2.4.6 Household Survey of Attitudes toward Public and Private Schools
3.1.1 Federal Strategy and Program Design Issues
3.1.2 Studies of Models for Federal Program Design
3.1.3 Formulation and Assessment of Alternative Federal Strategies and Programs
R

ADVISORY PANEL ON FINANCING ELEMENTARY AND SECONDARY EDUCATION

313-H Hubert H. Humphrey Building
200 Independence Avenue, S.W.
Washington, D.C. 20201

April 27, 1980

The Honorable Shirley M. Hufstedler
Secretary
Department of Education
Washington, D.C. 20202

Dear Secretary Hufstedler:

The Advisory Panel on Financing Elementary and Secondary Education, established under Section 1203 of the Education Amendments of 1978, hereby submits to you its advice on the Study Plan for the Congressionally Mandated Study of School Finance dated April 25, 1980.

The Panel met in Washington, D.C. on April 26, 1980 and passed the following resolution:

> The Panel advises the Secretary, the President and the Congress that the Study Plan of April 25, 1980 is an acceptable response to the Congressional mandate and will provide an adequate data base to answer the requests of Congress on the issues to be debated. We ask Congress to provide the necessary funds to carry out the Plan.

Our full report is attached. It provides a history of the Panel, its meetings and a summary of its deliberations. The Panel's budget proposal is also attached for our activities throughout our statutory lifetime. We believe that the Panel's budget is the minimal level of support we require to carry out our Congressional mandate.

Sincerely,

Victoria Lederberg
Chairman

Enclosures

ADVICE OF THE ADVISORY PANEL ON FINANCING ELEMENTARY AND SECONDARY EDUCATION ON THE STUDY PLAN FOR THE CONGRESSIONALLY MANDATED STUDY OF SCHOOL FINANCE

The Advisory Panel on Financing Elementary and Secondary Education was appointed by President Carter on August 28, 1979 and was sworn in at its first meeting on October 25, 1979. Meetings of the Panel (or a subcommittee thereof) have been held on October 25-26, 1979; November 19, 1979; December 17-18, 1979; January 24-25, 1980; March 3-4, 1980 and April 26-27, 1980.

The Panel has worked through several versions of the Study Plan and has conveyed its comments and concerns to the Project staff. In reviewing all versions of the Study Plan, the Panel asked the following questions:

1. Does the Plan respond adequately and appropriately to the Congressional mandate?

2. Does the Plan deal adequately with the key issues in school finance and educational policy whether or not these were raised in the mandate?

3. Does the Plan reflect appropriate priorities in the allocation of money and effort?

After evaluating the final Study Plan with these questions in mind, the Advisory Panel has unanimously concluded that the Study Plan presented by the Secretary is an appropriate response to the Congressional mandate. It is the Panel's opinion that the Study Plan has responded to most of our collective concerns and if properly implemented, will provide the data and the analysis which are necessary for enlightened debate on urgent public policy issues which will surely be before the Congress in the immediate future. We applaud the Project Staff's success in reducing substantially the scope of the proposed

studies in response to time and budget restraints. Accordingly, the Panel joins the Secretary in urging Congress to authorize the implementation of the proposed Plan and provide such funds as are necessary for its timely fulfillment.

Even over the brief time since their appointment, the members of the Advisory Panel have observed a worsening of problems in school finance. The complex problems of financing elementary and secondary education have been exacerbated by the enactment of tax limitations, the increasing rate of inflation, the fiscal crisis in urban areas, and the migration of people and economic resources within the country. The Study Plan which the Secretary of Education plans to send to Congress on May 1, 1980 outlines a study which will provide needed background information for the design of programs to alleviate these problems. We ask Congress to approve the Plan so that work can commence without further delay.

The Panel must now begin to set out its own work for the next two years. While the Panel will continue to advise the Secretary and the Project staff on implementation of its research agenda, other activities will be undertaken. Once the Panel's budget is approved, the Panel will collect testimony from finance experts, parents, teachers, administrators and others with an interest in the provision of financial resources for education. (The first such hearing was held on March 3, 1980 in Washington.) Panel staff will: a) be directed to prepare for this testimony; b) assist the Panel in its assessment of Department studies of Section 1203; and c) undertake other special analyses on behalf of the Panel. All of these activities will provide the Panel with the information needed to make policy recommendations to the Secretary, Congress, and the President, as mandated by Section 1203.

The Panel asks the Secretary and the Congress to move quickly to provide resources for staff to the Panel in order that our commitment to meet future deadlines will not be impeded and our ability to make effective contributions will be maximized.

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